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ESTIMATES SECTION  
OFFICE OF BUDGET AND FINANCE

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Until the Budget for the fiscal year 1941 is transmitted to Congress

VOLUME NO. 3

EXPLANATORY NOTES

FOR

U. S. D. A.

DEPARTMENT OF AGRICULTURE

National Agricultural Library  
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BUDGET ESTIMATES

FISCAL YEAR

Procurement Section  
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1941

Contents

	Pages
Bureau of Agricultural Economics.....	483 - 508
Agricultural Marketing Service.....	509 - 562
Bureau of Home Economics.....	563 - 567
Commodity Exchange Administration.....	568 - 569
Food and Drug Administration.....	570 - 583





C O N T E N T S

(Volume 3)

Pages

## BUREAU OF AGRICULTURAL ECONOMICS:

## Salaries and expenses:

General administrative expenses .....	483
Economic investigations .....	483 - 503
Supplemental funds .....	504 - 508

## AGRICULTURAL MARKETING SERVICE:

## Salaries and expenses:

General administrative expenses .....	509
Marketing farm products .....	510 - 519
Crop and livestock estimates .....	520 - 522
Market inspection of farm products .....	523 - 529
Tobacco Inspection Act .....	530 - 532
Tobacco stocks and standards .....	532
Market news service .....	533 - 538
Perishable Agricultural Commodities and Produce Agency Acts..	539 - 540
Standard Container Acts .....	541 - 542
Cotton Quality Statistics and Classing Acts .....	542 - 543
U. S. Cotton Futures and U. S. Cotton Standards Acts .....	544 - 547
U. S. Grain Standards Act .....	547 - 549
U. S. Warehouse Act .....	549 - 553
Federal Seed Act .....	553 - 556
Packers and Stockyards Act .....	557 - 559
Farm Products Inspections, Agricultural Marketing Service (trust account) .....	560
Supplemental funds .....	561
Passenger-carrying vehicles .....	562

## BUREAU OF HOME ECONOMICS:

## Salaries and expenses:

General administrative expenses .....	563
Home economics investigations .....	564 - 567
Supplemental funds .....	567

## COMMODITY EXCHANGE ADMINISTRATION:

Enforcement of the Commodity Exchange Act .....	568 - 569
---	-----------

## FOOD AND DRUG ADMINISTRATION:

## Salaries and expenses:

General administrative expenses .....	570
Enforcement of the Federal Food, Drug, and Cosmetic Act .....	571 - 575
Enforcement of the Tea Importation Act .....	576
Naval Stores Act .....	577 - 578
Enforcement of the Insecticide Act .....	579 - 580
Enforcement of the Milk Importation Act .....	580
Enforcement of the Caustic Poison Act .....	581
Enforcement of the Filled Milk Act .....	581 - 582
Enforcement of the Sea Food Inspectors Act .....	582
Passenger-carrying vehicles .....	583

# REPORT

1911

THE REPORT OF THE  
COMMISSIONER OF THE  
BUREAU OF THE CENSUS

FOR THE YEAR 1911  
CONTAINING  
THE RESULTS OF THE  
CENSUS OF THE UNITED STATES

AND  
THE RESULTS OF THE  
CENSUS OF THE DISTRICT OF COLUMBIA

AND  
THE RESULTS OF THE  
CENSUS OF THE TERRITORIES

AND  
THE RESULTS OF THE  
CENSUS OF THE ALIEN POPULATION

AND  
THE RESULTS OF THE  
CENSUS OF THE NATURALIZED CITIZENS

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BUREAU OF AGRICULTURAL ECONOMICS

## (a) GENERAL ADMINISTRATIVE EXPENSES

Appropriation Act, 1940 . . . . .	\$88,900
Budget Estimate, 1941 . . . . .	<u>89,275</u>
Increase . . . . .	<u>375</u>

## PROJECT STATEMENT

Project	1939	1940 :(Estimated):	1941 :(Estimated):	Increase
General administration and business service.	\$88,861	\$88,900	\$89,275	+ \$375(1)
Unobligated balance.	39	- -	- -	- -
Total . . . . .	88,900	88,900	89,275	+ 375

## INCREASE

(1) \$375 additional is estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941.

## WORK UNDER THIS APPROPRIATION

This appropriation is for the general administration of the Bureau. It covers activities of various service sections connected with the business of the Bureau such as personnel, budget, mails and files, accounts, and procurement. It covers also traveling and other expenses of the Office of the Chief in supervising the activities of the Bureau.

## (b) ECONOMIC INVESTIGATIONS

Appropriation Act, 1940 . . . . .	\$839,100
Budget Estimate, 1941 . . . . .	<u>838,725</u>
Decrease . . . . .	<u>375</u>

839,100  
838,725  
375

928 000

863,900

- 64,100

7,215

- 56,885

- 64,100

- 22,510

86,610

+ 1

## PROJECT STATEMENT

Projects	1939	1940 :(Estimated):	1941 :(Estimated):	Increase or Decrease
1. Agricultural finance studies . . . . .	\$73,276	\$75,000	\$75,000	- - -
2. Farm management and land use studies .	214,976	237,900	237,900	- - -
3. Farm population and rural welfare studies	43,582	43,600	43,600	- - -
4. General marketing studies . . . . .	138,439	160,000	152,785	- \$7,215(1)
5. Agricultural prices and income research	208,273	217,600	217,600	- - -
6. Interpretation and dissemination of economic information	104,243	105,000	105,000	- - -
7. State and local planning . . . . .	- - -	(a)	(a)	- - -
8. Administrative promotions . . . . .	- - -	- - -	6,840	+ 6,840(2)
Unobligated balance . . .	19,311	- - -	- - -	- - -
Total . . . . .	802,100	839,100	838,725	- 375

(a) Financed by transfer to this appropriation of \$98,000 from Soil Conservation Service and \$25,000 from Forest Service and by allotments as shown under "Supplemental Funds".

There is a net reduction of \$375 in this item for 1941 as follows:

(1) A decrease of \$7,215 which will be met by a curtailment of research on general marketing problems.

(2) \$6,840 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget estimates for 1941.

## WORK UNDER THIS APPROPRIATION

General.--The Bureau of Agricultural Economics is the general program planning agency of the Department of Agriculture. It is also the Department's research agency in the field of agricultural economics. The appropriation for "Economic Investigations" covers a large part of the research and statistical analyses relative to agricultural production, distribution, land utilization, and conservation in their broad aspects.



This work includes studies of farm management and practice, utilization of farm and food products, purchasing of farm supplies, farm population and rural life, farm labor, farm finance, insurance and taxation, and adjustments in production to probable demand for the different farm and food products. It covers also economic research on land ownership and values, costs, prices, and income in their relation to agriculture, including causes of their variations and trends.

Provision is made in the Appropriation Act, for the transfer to this appropriation from the funds available for authorized activities of the Department of Agriculture such sums as may be necessary for aiding in formulating programs for such authorized activities. Allotments are made to the Bureau also from general appropriations of the Department.

Under a general memorandum of understanding, and in line with the Secretary's reorganization order and the terms of the current Appropriation Act, the Bureau cooperates with the operating agencies of the Department in developing unified general programs that encompass land use, conservation, production adjustment, farm tenancy, rural rehabilitation, marketing service and regulatory work, and other authorized activities.

Extensive cooperation is maintained both with State, county and other local agencies throughout the United States, particular attention being given to work with State and county planning committees and to program study for the purpose of focusing attention upon important problems of land use and of agricultural production and distribution, and to secure active participation by rural people in developing plans for the solution of these problems.





1. Agricultural Finance Studies.--The purpose of this project is to obtain and make available information on farm mortgage credit, short-term credit, farm taxation, and agricultural insurance which will serve as the bases for improving the financial condition and security of the farmer. The data gathered are necessary to an understanding of the complex farm problem and to the planning of needed readjustments in agricultural policy.

With the great expansion in the lending activities of federally-sponsored agencies, the problems of agricultural credit in relation to Department policies have assumed increasing importance. At the beginning of 1939, total farm-mortgage indebtedness was estimated at \$7,070,896,000. Of this amount approximately 38.5% was held by the Federal land banks and Land Bank Commissioner. The activities of the production credit associations and the Farm Security Administration, likewise, have raised many new problems in the short-term credit field.

Total farm indebtedness decreased 26.6% from 1930 to 1939. This decrease was accompanied by a substantial increase in the acquired real estate held by lending agencies. At the beginning of 1939, the estimated investment in such real estate held by four leading lending agencies amounted to \$969,487,000 as compared with \$196,082,000 at the beginning of 1930.

The Bureau's studies have shown that the operations of country banks have, for the most part, been conducted on a basis that does not provide a stable source of credit in periods of depression. As country banks are the chief source of short-term credit for the farmer, the importance of developing sound operating policies to meet the needs of agriculture is one which requires continuous study. At the beginning of 1939, outstanding short-term loans to farmers held by commercial banks amounted to \$1,064,667,000 as compared with \$190,518,000 of loans of a similar type held by agencies of the Farm Credit Administration. The Bureau cooperates with other Federal agencies in obtaining current data on the amount of short-term loans held by commercial banks. At the present time, the Bureau is cooperating with the Farm Security Administration in analyzing the performance of rehabilitation loans.

During the depression years, there was a marked increase in the volume of farm tax delinquency. A country-wide survey was made in 1934, to obtain data on this subject. Continued analyses are being made of these data to bring out the underlying and economic causes and to relate these causes and tax delinquency to the Department's agricultural programs. The problems of tax delinquency are closely related to land use problems and the Bureau is giving particular attention to this phase of the work. Problems of homestead tax exemption and of reorganization of local governmental facilities are assuming increased importance.

Information on farm taxation is assembled showing amounts and trends of taxes on farm property; sources of governmental revenue in local areas; purposes for which the farmers' tax dollar is spent; relation of farm taxes to farm income; farm tax delinquency and possible farm tax reduction and simplification of local government; annual indexes of farm property taxes are available for the period 1890 to date. A study is under way to determine



the extent of tax delinquency and tax sales of farm property throughout the country. Preliminary results show the causes of delinquency to be, in large part, cyclical combined with a number of special factors, such as changes in farm income and property tax levies varying with local situations including assessment and collection procedure.

The farm-insurance studies deal with the problems of insurance protection for farmers to cover the various types of hazards to property and persons on the farm. Special attention is given to the development of plans for the insurance of yield for various commodities. Continuous assistance is rendered the Federal Crop Insurance Corporation in developing and improving the actuarial bases for such insurance and in improving regulations and field procedure in putting such insurance into operation.

2. Farm Management and Land-use Studies.---The general object of research on farm management is to determine for each region the major adjustments in farming that are needed and the practicability of achieving them, the means by which efficiency in production may be increased, and the farmer's net income enhanced. It is of urgent importance that an understanding of the factors necessitating these adjustments be secured and made available to Federal and State agencies for use in formulating the public policy with respect to agriculture in each region, and to farmers in furtherance of improved farming practices.

The work involves a broad study of the agricultural resources, State by State, including the types of farming that have developed on the basis of these resources and the economic influences of the accessible markets. More intensive studies are directed to the examination of the internal organization and operation of farms in order to determine the most desirable systems of farming and the most efficient practices to produce the maximum net income. Attention is given to the means by which the desirable adjustments may be effected.

During the past year the work has emphasized fact-finding and planning for agricultural programs. Eighty-five of the 128 separate projects which were conducted were pointed specifically to the action programs of the Department. The aim has been to construct a more adequate factual and analytical foundation of knowledge regarding various situations and problems. The Bureau has undertaken to determine the economic problems of internal organization and operation of farms in problem areas and to appraise the relation and effect of various agricultural programs on these problems, as a basis for a better use of the farmer's resources in terms of the economic welfare of farm families and of the nation.

One of the main objectives of farm adjustment studies in the Great Plains area was to determine the minimum sizes and types of farm units needed for successful farming. These included consideration of the extent to which it would pay small farmers in the drouth area to go into cattle or sheep production. In the Cotton States significant trends in changes that have occurred in recent years in the use of labor and power in the operation of plantations were determined. These findings are important as a basis upon which to plan needed adjustments. In the Northeastern and East Central States studies were made of farm organization and operation problems on tobacco farms, truck farms, and dairy farms.



Studies were made of the extent to which grain combines and corn pickers are taking the place of other methods in harvesting small grain and corn. The effect of the use of tractors on farm organization and operation was studied in 5 type-of-farming areas in Minnesota. Studies were completed on the performance of various kinds and sizes of machines in crop production in the Great Plains and the Pacific Northwest Grain areas.

The Division continued its annual studies of gross and net returns to farmers, and of the cost of producing corn, wheat, oats, and cotton. A beginning was made in constructing index numbers for specific types and sizes of farms that would indicate changes in farmers' costs and returns and the reasons for these changes.

In connection with the work of the Division of State and Local Planning and cooperating State and local agencies, intensive studies were made in a number of counties selected for land-use planning programs. These studies covered a classification of farms in each adjustment problem area, by size, physical resources, tenure, type of farming, and other characteristics which are correlated with adjustment problems on individual farms; an appraisal of alternative production possibilities from the standpoint of conservation and income expectancy for representative farms selected from each principal group; and an outline of recommendations for improvement in methods. These studies take into consideration the general economic conditions, interregional competition and the welfare of the farm population within the area and in other areas. These studies are conducted with the active cooperation of the local planning committeemen who furnish a considerable part of the information and suggestions for alternative production possibilities. The local planning committees participate also in outlining the plans for improvement. All recommendations developed during the progress of these studies must have the approval of local farmers. The results of studies are published for the benefit of the locality in which made. As a result many additional counties are organizing to study their own situation with a view to improvement in their production programs.

The land-use studies are essentially of a research character, designed to accomplish the fact-finding and analysis necessary to provide a sound foundation for the various practical steps in land policy and improved land use. Cooperative studies are carried on with State and local agencies directed toward the identification of those situations where the rural population pattern is poorly adjusted to land resources so as to guide the application of the land-use adjustment program and also toward the identification of areas offering superior opportunities for creating new farms so as to increase the effectiveness of the rural settlement activity.

The research activities have contributed in many cases to the adoption of measures to improve land utilization. They have, for example, aided specifically in the formation of grazing districts, in the formulation and adoption of rural zoning legislation, in the establishment of improved leasing practices, in the construction and the adoption of laws designed to improve land use through reorganization, of local governments. For example, in Iowa significant improvements have been made in legislation covering landlord-tenant relationships. Studies showing underlying maladjustments in the farm-tenancy system in Iowa made in cooperation with local agencies







served as a guide for this further development of the tenure improvement program in Iowa. The recommendations which were developed in cooperation with farmers and agricultural leaders are now being put into effect. During the last year, the State Legislature enacted into law three of the recommended adjustments as follows: The automatic continuation of all agricultural leases from year to year unless notice of termination is given prior to November 1; amendment of foreclosure procedure designed to protect the farm operator's tenure situation in years of crop failure or low prices or other emergency; and the appointment of a prominent farm tenancy committee to study further the farm tenancy problem. This work in Iowa has influenced many landlords to make desirable changes in their leasing arrangements with tenants.

A land use study in Forest County, Wisconsin, made at the request of the county board of supervisors, is about to be published as a technical bulletin by the Department of Agriculture. Detailed investigations were made of land use and ownership, the structure of local government, and the services rendered by county and town governments. The land was classified into several categories as a guide to recommending better land-use practices and as a basis for changes in local government necessary to conform with such improved utilization. As an outgrowth of this study, a survey of rural zoning administration is now being conducted in Wisconsin. An analysis is being made of the savings in public costs which have resulted, or which may result, from zoning and complementary public action programs. The feasibility and effectiveness of certain types of districts, such as recreational zones, are also being tested.

Rural zoning ordinances have been drawn up for counties in Minnesota, Tennessee, and other States. Assistance has been given in the formulation of legislation on grazing and administration of tax reverted land, on local and State taxation of rural property and many other subjects having a bearing upon land utilization.

The twelfth number of the series "The Farm Real Estate Situation" is now in press. This survey provides a careful appraisal of the current changes in the farm real estate situation, including changes in farm values, frequency of voluntary and forced sales of farms, and an analysis of the effects on values of such factors as income, taxation, credit policies, methods of handling distressed farm real estate and other economic factors.



3. Farm Population and Rural Welfare Studies.---The rapid increase in the population of work age (18 to 65 years) on farms in this country, together with declining man-labor requirements on farms due to technological change and other reasons, presents one of the most important problems confronting the Department of Agriculture, the Congress, and the Nation today. If cities were absorbing farm population at "normal" rates the problem might not be quite so serious but with the increasing pressure of farm population upon land resources accompanied by large-scale unemployment in cities the problem takes the nature of declining opportunities for hundreds of thousands of farm families to make a living either on farms or in cities.

A great variety of factual information is needed if our agricultural policies are to be sound. The problem, however, is not merely one of finding means through which farm people can find security and live decently in a static situation, but to consider what measures may be effective in a constantly changing situation not only in farming itself but also with continuous movements of population in varying degrees from farm to city and from city to farm.

The work under the project "Farm Population and Rural Welfare" furnishes valuable guideposts enabling the Department to improve its various programs. Since the Bureau of Agricultural Economics has been given responsibility for developing unified and integrated agricultural programs, much more information of this type is essential.

Recently the work has been reorganized in such a way as to enable it more effectively to serve the "action agencies" of the Department and to develop information which is useful in the state and local land use planning program. It is now making available to the "action agencies" information developed through research in the social sciences which the agencies are finding to be essential in the proper administration of their programs. More information about the problems of the farm people for whom the programs are designed, their desires, their customs and habits, their traditions, their experience, and their needs, seems to be enabling the various agencies to adopt methods and procedures most likely to be effective and most likely to meet the real needs of the farm people whom they are attempting to serve.

The Soil Conservation Service, the Farm Security Administration, the Agricultural Adjustment Administration, the Agricultural Extension Service, the Forest Service, and other agencies in the Department are referring more and more questions to this Division for answers which will be helpful to them in administering their programs. In fact, greater recognition throughout the entire Department of human values and of the human element in many agricultural problems, and with it the recognition of waste which accompanies the ignoring of the human element, has tended to place heavier and heavier burdens upon the work of this Division. This burden has been added to in no small degree by demands from other government departments, from State institutions, from farm organizations and individual farmers.

While economic considerations are of great importance in the agricultural situation, many other factors, sometimes quite intangible



ones, often become the determining factors in the solution of some farm problems. The presence or absence of information concerning social and human values along with those primarily economic in nature quite obviously makes the difference between success and failure in many endeavors to do something about farm problems. As rapidly as possible information of this nature is being developed.

Continuing studies are being made in the field of farm population. Items which are receiving special attention are the composition and distribution of the rural population; population movements from the farm to the city, from the city to the farm, and between rural areas; and the annual estimates of farm population trends. The findings of the annual estimates of farm population trends are being requested in increasing volume. Practically all bureaus and divisions in the Department of Agriculture, many other governmental agencies, and numerous business institutions utilize these estimates in the projection and conduct of their programs. These estimates furnish the basis for predicting future population movements and, therefore, render invaluable service to such governmental agencies as the Bureau of Public Roads, Rural Electrification Administration, Soil Conservation Service, and the Farm Security Administration.

For 40 years preceding 1930 the demand for city workers was so great and this demand was responded to by agricultural migrations to such an extent that farm population actually declined over the last half of this period. Since 1930 this trend has changed and farm population has increased by approximately 200,000 per year. We are thus faced with a steady increase of population pressure upon agricultural natural resources and agricultural economic enterprises. During the last two years the Bureau has cooperated with the Agricultural Experiment Stations in Iowa, Arizona, South Dakota, and Maryland and with the Farm Security Administration and Works Progress Administration in a study of rural population mobility. This work has resulted in one national publication and two State bulletins. This report shows that increases in farm population have been most pronounced in the poorer areas characterized by meager land resources, low incomes, and non-commercial farming. These increases have come about as a result of high birth rates together with reduced migrations to cities and the Back-to-the-land movement. These increases have been important factors in intensifying rural relief needs. Further attention is being given to population pressure upon the land, its effect upon the rural standard of living, community organization, security of tenure, future opportunities in agriculture, and upon general rural welfare.

The lessened opportunities for urban employment for rural-born-and-reared youth make necessary the study of what opportunities can be developed for the approximately 700,000 rural boys and girls who reach their 18th birthdays annually and seek to enter agriculture or other business and professional fields. Their conditions and opportunities and the institutions and agencies which serve these young people demand attention.

Studies of social factors in relation to land use have been expanded during the past year. In the light of present federal agricultural





programs, no field of social analysis is more basic than that having to do with the relationship of the population to the agricultural natural resources. The Agricultural Adjustment program, the Submarginal Land and Forest-Purchase programs, the Soil Conservation program, and all the Farm Security Administration programs attempt to assist farm families in making successful adjustments to the basic natural agricultural resources. Elaborate study of human dependency upon these natural resources and the social structure which can be maintained by these resources is essential to the sound projection and conduct of these programs.

There is an urgent need for the work of the Bureau in the fields of tenancy and farm labor, and in the field of rehabilitation. Rural poverty itself must be studied. For the first time in our national history we are compelled to recognize the fact that millions of our farm people are living in poverty. The result of the recognition of this fact has led to the establishment of a large rehabilitation agency in the Department for serving the needs of these disadvantaged farm families. Serious study needs to be made of the questions of whether we need to have widespread poverty in American agriculture and what remedies need to be taken to obviate further development of conditions making for rural poverty.

Farm tenants and laborers during most of the history of our agricultural development have moved constantly and steadily up the agricultural ladder toward ownership. Today an increasing number are getting stalled on the lower rungs of this ladder or are failing to gain a foothold on it. Many tenants are becoming farm laborers and many tenants as well as farm laborers are being forced into the class of migratory laborers and thousands of them forced on to relief rolls at least for a portion of the year. At present little is known of the pattern of crop demands or of the volume of labor required. Wage data are so generalized as to be of little value of specific purposes; satisfactory data on total earnings of farm laborers are almost non-existent. There is no adequate knowledge of housing facilities. And yet without such information the formulation of measures for the improvement of conditions for these groups is exceedingly difficult, and scientific administration of programs for their relief or rehabilitation is greatly handicapped.

A study of the social aspect of farm tenancy and the attitudes of tenants and owners toward land use and programs designed to help tenants has been completed and widely used. Members of the staff have cooperated with the Sugar Section in studies of conditions of farm laborers in several sugar producing areas of the country. Harvest labor studies have been carried on in North Dakota and Kansas in cooperation with federal and state agencies. This study showed that today comparatively few harvest laborers follow the harvest from south to north, but on the contrary, the bulk of transient labor comes from within the state and from nearby states to the east and south-east. One by-product of this study was information showing the frequency with which these laborers, in an exempted occupation, had secured social security account numbers. This information, which was sought by the Social Security Board, showed that three out of eight farm laborers had such numbers.





An analysis of experimental rehabilitation projects in eleven areas throughout the country is under way as well as a cooperative study of migration to and settlement in the Pacific Coast states. The objectives of the project were to learn more about the migratory labor problem, the origin and character of the migrants, and the modes of agricultural settlement and other adjustment which the migrants had made. This project will for the first time supply comprehensive information concerning a problem of major public concern which has been the topic of much discussion and some public action. Further detailed and broad studies of the trends in these fields and in the status of farm tenants and laborers are essential.

Studies of community development, organization, and welfare, as well as of farmers organizations are being continued. Healthy and wholesome local community life has always been one of the bulwarks of our democratic society. The rapidity of general economic and social change in our life has caused the disintegration of thousands of local rural communities. Serious study of these facts is needed, not only that we may understand the foundations of our national life, but in order that ways and means of utilizing local communities in the successful conduct of agricultural programs may be guaranteed. Without the judgment of local people and the utilization of local community forces and organizations, the effectiveness of any rural program is bound to be decreased.

A study of representative projects originally started by the Subsistence Homesteads Division and now administered by the Farm Security Administration has been started. The purpose of the study is to learn more about the development and functioning of these communities. Studies of rural resettlement projects have already shown the importance of present and previous social participation and small informal groupings as factors in community life. A study in Haskell County, Kansas, was undertaken in cooperation with the Farm Security Administration to show the social changes in a community which experienced a severe drought in the 1890's, and again in the 1930's. The report of this study shows how the continuance of drought over a period of years forces drastic readjustments and leads to decreases in population, fewer trade agencies, and changes in the social organization.

The standard of living of farm people is the most important concern of American agriculture. To maintain it on a high level is the dominant objective of all agricultural programs. There is no field of rural welfare of greater importance than the farm family standard of living. In order to develop techniques for the measurement of current changes in the farmers' standard of living, a statistical analysis is being made of several thousand schedules already in the possession of the Division. Through analysis of these data as well as census data an attempt is being made to find which of the items are the best indicators of current changes in living standards. It is felt that standard of living indices which may be developed from this work will fill a long-felt need.



During the past year the Bureau has begun a study of human and social factors characterizing the various rural areas of the nation, in order to develop a type of information for which there has been a growing demand. We are coming to realize that many of our efforts to help the farmer are relatively unsuccessful because we have neglected to take into account how he feels and thinks about his own mode of life. At the same time we are basing all of our so-called "action" programs upon the assumption that he will be a ready participant in the formulation of these programs. In order to guarantee that all of his potentialities of thinking and leadership are mobilized in planning for agricultural improvement and welfare it is essential to know the elements and conditions which contribute to the rise of rural leadership, the manner and methods by which the farmer habitually works in his own groups, and his habits and attitudes as they relate to his customary mode of life and to the programs by which he and the government together seek to improve his wellbeing.

The annual estimates of farm population, of movement to and from farms, as well as the births and deaths on farms are increasingly in wide demand, within the Department and by other governmental agencies, as well as other agencies and persons. Although steps have been taken to meet the need for estimates by States, it has not yet been possible to do this for more than a small number of States.

The report for 1939 shows that the farm population on January 1, 1939, was close to the largest on record. The total was 32,059,000 persons. This compares with 31,819,000 on January 1, 1938, and with the all-time high record of 32,077,000 on January 1, 1910. From 1910 to 1927 there was a decline of almost 2,000,000 persons in the farm population. Since 1927 there has been an increase of about 2,000,000.

The increase in farm population during 1938 was 240,000 persons, or three-fourths of 1 percent. This is the largest increase reported since 1932. The total increase since the beginning of 1933 has been less than 400,000 persons.

As in the five preceding years, more persons moved from farms to villages, towns, and cities during 1938 than moved to farms. It is estimated that 1,025,000 persons left farms and that 823,000 persons moved to farms. The net loss by migration was 202,000 persons. But this was more than offset by the surplus births over deaths in the farm population. The number of births was 747,000; the number of deaths, 305,000.



4. General Marketing Studies.--Recent years have brought a great deal of discussion of the problem of distribution. Much alarm has arisen over the fact that about 60 cents of the consumer's food dollar goes to pay costs of processing, transporting, and marketing, leaving only about 40 cents for the farmer. Yet little has been done to discover how these costs and charges can be reduced, or to determine the effect of various public policies upon marketing costs. The Bureau is making a series of studies which are basic to the development of sound marketing policies; that is, policies which will encourage efficiency and low costs which will be profitable to agriculture, which will expand the market for American farm products, and which will provide more adequate food supplies to undernourished families.

Several marketing programs of the Department are being reviewed and analyzed. Special attention is being given to programs intended to move agricultural surpluses into consumption in ways which are profitable to the farmer and which, at the same time, provide better diets for undernourished families. The Food Stamp Plan, which is being tried out in a number of cities, is partly at least an outgrowth of research done by this Division. That Plan is so designed as to encourage greater consumption by relief families and other low-income groups. Preliminary indications are that a plan of this kind may offer a new and profitable market to the farmer. For example, it has been calculated that if 15,000,000 individuals were brought under the plan on a basis similar to that used in the experimental cities so far, the blue stamps provided by the Government for the purchase of surplus foods might be used to purchase about 300,000,000 pounds of butter, 350,000,000 dozen eggs, 25,000,000 bushels of wheat, 6,000,000 bushels of corn, 140,000,000 pounds of rice, 85,000,000 pounds of prunes, and 225,000,000 pounds of dry beans. These figures have been calculated on the basis of the surplus list which was used early in the Stamp program. Recent experience indicates that the program makes possible a very marked increase in the consumption of certain fresh fruits and vegetables. Thus, from the standpoint of agriculture, as well as from the standpoint of the consumer, a marketing plan of this kind appears to offer distinct possibilities.

The Food Stamp Plan is one of several programs in this general field. The Bureau is also studying the economic results of surplus purchases for free distribution to relief clients, and plans to make similar studies of low-price milk distribution under the A.A.A. marketing agreements and the use of surpluses in providing free lunches to school children.

This whole problem of agricultural surpluses is one of the most serious problems facing agriculture today. Research must be directed toward finding solutions which are not only profitable to the farmer, but which have desirable social results. The Bureau is also studying the economic aspects of a number of other marketing programs within the Department. Particular emphasis is being given to studies of the market news and standardization work of the Agricultural Marketing Service. The rapidly growing use of the motor truck has made these problems more difficult and is making it necessary to adjust these





services to meet present needs. For example, carlot shipments, receipts and passings no longer provide an adequate index to the movement of many agricultural products, and in many cases price quotations in the large central markets do not give a reliable indication of prices at country points.

Marketing regulations and marketing services, of course, are not limited to those of the Federal Government. State Governments and even city governments have developed a great variety of regulations in this field. Recently the Bureau has been giving attention to the growing use of State and city regulations as trade barriers which tend to hamper the marketing of agricultural products in many markets throughout the country. During the past year a report was made on this subject. In a foreword to the report the Secretary of Agriculture stated:

"Today, we cannot say that we have free trade between the States. It develops that public health and sanitation measures may be so designed as to restrict trade across the State lines. The same may be said of certain tax laws, of motortruck regulation, of quarantines, of grading, labeling, and packaging laws, and of State-financed advertising of Farm products. However worthy the purpose of most of these laws and regulations, in many cases they have been so drawn and administered as to cause large and unnecessary economic losses to the whole country."

The Bureau is working with several other agencies both within the Department and in other Departments of the Government in an attempt to work out policies of regulation which will protect the farmer and the consumer without interfering unnecessarily with agricultural trade and without adding unnecessary costs to the marketing system. The work already done on trade barriers appears to have had a very beneficial effect. Since the report was issued a few trade barriers have been removed and some State legislatures defeated a number of new bills which would have provided additional barriers to trade in farm products.

Very definite results have been obtained from a number of studies of the organization and operation of wholesale produce markets. The Division is finding that in a number of the large consuming cities these markets are very poorly laid out and poorly operated in such a way as to lead to great inefficiencies and waste to the detriment of both the farmer and the consuming public. To some extent this has been realized for many years, but no one had developed any very concrete program for improving the situation. The Bureau studies in a number of the principal cities of the country have not only shown where the inefficiencies were, but have laid out a specific program for reorganizing these markets for the benefit of the farmer, the trade, and the public.

These studies have attracted a great deal of interest and are being strongly supported both by farmers and by the trade. The farmer has a very legitimate claim against unnecessarily high costs and uneconomic practices in these markets. Also dealers are coming to



realize that this situation is not profitable to them. As a result, the Bureau is being flooded with requests for additional studies in this field and has not been able to handle more than a small proportion of them.

A few of the results of recent studies in this field might be summarized as follows: An analysis of the wholesale markets and methods of handling fruits and vegetables in Kansas City has resulted in the complete rebuilding of the market in a way which should result in annual savings of several hundred thousands of dollars. A study in Philadelphia pointed out potential annual savings of two million dollars. This resulted in one railroad throwing open its terminals to receipts arriving by motortruck, and active work is under way in the trade which should eventually provide for other changes suggested by the report. A study of the New York City wholesale fruit and vegetable markets is now under way, and a report is being prepared which will point out specific changes which, if made, would provide annual savings in the neighborhood of seven million dollars.

In Atlanta studies have been made which show the necessity of changes in the immediate future, and plans have been drawn up for providing new and modern facilities for handling an increasing flow of fruits and vegetables through that market. Also, a beginning has been made toward analyzing the needs for shipping point markets in the Southeastern States.

In recent years there has been a growth of large corporations in the field of processing and distributing farm products and foods. This has led to decided changes in the nature of competition in agricultural products. The Bureau has been making a few studies to determine the implications of these developments to the American farmer. Reports have recently been issued dealing with the competitive situation for dairy products in Wisconsin and with certain problems growing out of chain store purchases of fruits and vegetables in the Northeast. Other reports which have recently been issued deal with an economic analysis of food patents and with earnings and profits of large processors and distributors of farm products. In a number of cases it appears that large-scale operation leads to certain economies in the marketing field. For example, large manufacturers of dairy products and chain stores have demonstrated conclusively that they can perform certain operations more cheaply than can small units. It is important to the farmer that such savings be made and that the whole system of processing, transporting and marketing agricultural products be as efficient as possible. Nevertheless, the growth of these large units brings with it certain monopolistic elements, or at least greatly changes the nature of competition, and the studies of this Division are attempting to work out policies which will properly safeguard the farmer and the public.

Statistical work is being continued to measure and analyze price spreads or total charges for marketing foods. A summary of price spreads has been made for 58 of the principal food products.



The data show that market charges have gradually widened for a number of years. This presents a problem which is of serious concern to the farmer as well as to the consumer. Careful analysis of these spreads is now being made to determine the reasons for the present situation and to indicate what parts of the marketing system are in greatest need of adjustment.

The outstanding problem of agriculture is that of finding markets for its products. Some commodities are losing the markets which they formerly had while for many others new outlets have not kept pace with increased production. Hence, it is important that attention be given to the economic possibilities of retaining present markets and developing new uses or outlets for farm products. This year marked the completion of three more studies on the utilization of cotton and competing materials dealing with use of cotton for fertilizer bags, cordage and twine, and hosiery. As rapidly as possible similar consideration should be given to the economic possibilities of retaining and expanding markets for many other farm and food products.

American farmers are becoming more and more concerned with the marketing situation and it appears certain that before many years the Department will be called upon to put a great deal more emphasis on marketing work. Although a small start has been made in the past few years in studying some broad questions of marketing policy, the Bureau feels that this work is in no sense adequate. Within the next few years the Department, together with the agricultural colleges, should attempt a general survey of facilities throughout the country for processing, transporting, and distributing farm products. There is reason to believe not only that many of these operations are being inefficiently performed, but that in many cases there are too many plants, -- poorly located, poorly designed, and operated on such a small scale that they cannot be efficient.

There is, in many cases, a great deal of unnecessary duplication of processing plants in the country, an unnecessary duplication of railroad lines and railroad terminals, etc. This situation can never be overcome by piecemeal studies, and will require a general survey of existing facilities and a number of engineering and economic studies to determine possible savings by rather substantial readjustments.





5. Agricultural Prices and Income Research.--This project has developed and organized a reservoir of statistical data having a bearing upon the agricultural situation. The price analyses and economic research necessary to bring together the facts relating to supply and demand conditions throughout the world are headed up in this project, including the statistical analyses involved in the publication of the reports on the agricultural situation. These reports cover present and prospective conditions with regard to supply, demand and market trends for agricultural products. They analyze domestic and foreign conditions and appraise the various factors which will influence prices and income. Industrial activity and consumer incomes are taken into consideration as well as the various governmental activities. For an understanding of agricultural problems, statistical and historical research affords the necessary perspective. By surveying conditions over a period of years it is possible to determine what are the permanent forces and what are temporary factors. Accurate knowledge of what has taken place and how prices react to certain conditions is invaluable to those who are seeking to secure for agriculture an adequate return.

The need for statistical research has greatly increased in recent years because of the requirements of the agencies and programs set up by Congress in aid of agriculture. Analyses are necessary, first, in the formulation of policy and specific legislation based on an understanding of causes of price and income changes and the probable effects of alternative remedies. In the consideration of plans such as subsidizing exports, reducing marketing margins, adjusting agricultural production, and stabilizing prices by means of loan programs, points frequently are encountered which can be answered only by factual analysis.

Statistical research is absolutely essential in administering specific measures in aid of agriculture after they have been set up by the Congress or by State agencies. It is much more satisfactory and less costly, in the long run, to provide in advance for this necessary statistical information than to wait until the acute need arises.

Although these demands for the results of statistical research for use in answering current pressing policy and administrative problems of action programs furnish the most obvious reasons for providing adequately for such work, the needs of farmers, local business firms, both cooperative and private, and State agencies are even greater. Members of Congress are continually receiving requests for information from constituents which are referred to the Bureau, answers to which frequently require supplementary studies. Likewise, the needs of Congressional committees frequently entail considerable statistical research. Local government agencies request information about economic conditions in their local areas and answers to economic problems of agriculture arising therein. Above all, increasingly larger numbers of farmers are coming to look to the Bureau for information bearing on prospective changes in supplies, demand, and prices of the products in which they are interested for use in planning their production enterprises and marketing schedules.



The collection of new data, and improving estimates and analysis are continuous operations. There is now a great need for estimates of net income from agriculture by States. This information is needed to provide a measure of the changes in the welfare of the agricultural population, for use in preparing agricultural legislation, planning credit and tax programs, and in studying the effects of changes in agricultural activity upon the welfare of the farm population.

The Bureau is now estimating the gross income from the marketing of farm products for the United States and for each of the several States. Rough estimates of expenditures for the country as a whole may be made on the basis of quantities of machinery, fertilizers, and other such materials produced and sold to farmers in the country but there is not much information as to the distribution of such sales among the several States. The quinquennial censuses collect certain information but the censuses are incomplete in that many items needed for adequate income estimates are lacking, and it is necessary to collect additional data for making annual estimates between census periods. The collection of much additional information in cooperation with the several States will be needed in order to develop fairly reliable estimates of the net income from agriculture by States.

The annual farm outlook reports, the periodic agricultural situation reports, and many other releases covering agricultural conditions are prepared and published under this project.

#### 6. Interpretation and Dissemination of Economic Information.--

The object of this work is to supply the general public with information on current economic problems relating to agriculture in a form which is readily usable. The staff prepares press releases, leaflets, radio broadcasts, exhibits, handbooks, and articles covering the work of the Bureau for publication and for the use of extension and other agricultural workers. The staff cooperates with all branches of the Bureau and with other agencies in determining what information should be gathered and disseminated, best methods to be used, and manner of presenting the results. Members serve also on Bureau and Department committees, work with State and County planning groups, furnishing them with needed information. The division serves as a clearing house for agricultural economic information available in the Bureau and in other branches of the Department. The editorial, graphic, photographic, and general information work of the Bureau has been concentrated under this project for greater effectiveness.

#### 7. State and Local Planning.--

The central purpose of this project is to formulate and carry out a cooperative agricultural land-use program in each State and rural county of the United States -- a program so organized and developed that farmers, local administrative officials of agricultural agencies, and technicians, working together, may actively participate in, and take appropriate responsibility for: (a) a comprehensive, systematic, examination and appraisal of each rural community in terms of its agricultural opportunities, the nature and seriousness of existing agricultural problems, and the specific measures for alleviating such problems and improving conditions of rural life; (b) the



preparation of sound land-use plans, programs, and policies for communities, counties, States, and regions to serve as a guide to Departmental, State, and local action programs, as they are carried out in the field; and (c) the appraisal of existing action programs as they are carried out in the field and the formulation of suggestions for their improvement and proper coordination in light of the particular needs and conditions in each locality.

The organization for planning work in the field is carried out through State and county land-use planning committees.

The State Committee consists of State administrative officials in charge of the action programs of the Department of Agriculture, such officials of State agencies as have responsibility for the administration or management of land-use programs being conducted under State laws, and a majority of farmers representing each major type of farming area in the State. The State Director of Extension is chairman of the State Land-Use Planning Committee and an employee of the Bureau of Agricultural Economics known as the State BAE representative, functions as secretary. These State committees are expected to serve as the central planning and coordinating group for all public agricultural programs operating in the State. Among other things they examine and agree upon various types of action programs to be initiated; appraise the plans, programs, conclusions, and suggestions made by county and community planning committees; develop recommendations designed to integrate the several action programs in the State; and perform such other functions as are necessary to formulate well-rounded, comprehensive, agricultural plans and programs.

The county land-use planning committees are composed of at least ten farm or ranch men and women, together with a few forest owners in areas where forestry is important. The county committee also includes the county agent, at least one member of the Agricultural Adjustment Administration Administrative Committee, the county or district Farm Security supervisor, and other county officials of State and Departmental agencies having responsibility for the administration of agricultural programs. The farmer membership constitutes a substantial majority and a farmer generally is chairman of the committee. The county agent usually functions as an executive officer or secretary.

In carrying out the planning activities, much of the work is organized on a community basis in which the community committees function informally as subcommittees of the county committees. In all instances, however, the results of community committee efforts are appraised by the county committee and worked into plans and programs for the county as a unit.

Most of the work at present is carried on in the field. Accordingly, the Bureau maintains a State office in each of the States, located at the Agricultural College. This office is under the direct supervision of a Bureau employee known as the State BAE representative. He has immediate-responsibility in his State for the Bureau's part in these cooperative planning activities and works closely with the several





research staffs of the Bureau, technicians from the State College, and State officials of each of the Department's operating agencies in the planning, organizing, and conducting of agricultural land-use planning and research related thereto. The Agricultural Extension Service in the States cooperates closely in this work and has immediate responsibility for the educational phases of the land-use planning program. The State Agricultural Experiment Station cooperates in the investigational and technical aspects of the planning program.

These cooperative working relationships between the Department and the Land-Grant Colleges are covered by Memoranda of Understanding and Project Agreements covering the several phases of the planning work. Under these agreements, the Bureau is aiding the State Colleges in this work by paying a part of the salaries of new employees needed effectively to carry out the program in the field.

At present this planning program is being carried on in approximately 750 counties and it is estimated that by June 30, 1940, the work will be started in 50 to 75 additional counties. Efforts are being made to expand the work as rapidly as possible. It is anticipated that such work will be initiated in all rural counties within a period of three years. After a county has initiated the planning program it will be continued at various levels of intensity as long as the project continues to perform a useful function to Departmental programs.

The Unified County Program represents a first step in the process of translating agricultural land use plans into action, and in bringing about the coordination of various types of action programs in the field. It gives special attention to the particular measures, devices, and lines of public, group, and individual action needed to accomplish the land use, land conservation and rural rehabilitation goals or plans formulated under the area mapping and classification work. Likewise, it encourages farmer participation in building agricultural programs, in revising and coordinating the several national, State, and local programs where desirable, and in formulating such new programs for agriculture as are necessary to achieve the most desirable adjustments in the area.

Action resulting from such planning may take the form of correlation of existing programs affecting land use and mitigation of any inconsistent features which may have developed. In Ross County, Ohio, for example, an Agricultural Advisory and Correlating Committee has been formed. Each operating agency will discuss with this committee the problems which it has encountered in working in the county and thereby enable the committee to make suggestions for more effective work. This Correlating Committee will serve as a central clearing house to review the farm management plans for individual farms recommended by each agency and correct any discrepancies which may appear. Similar farm and home management correlating committees are being set up in Covington County, Mississippi. The County Board of Supervisors in Culpeper County, Virginia, has recognized the benefits which may result from agricultural planning and in order to facilitate coordi-



nation of action agency programs it has rented and placed at the disposal of these agencies a building which provides office space and an auditorium.

Another type of action may consist of the adaption of land-use programs to local conditions by advising agencies as to the proper location of their projects in order to secure wise use of the land and by assisting them in drawing up their plans of operation in order to make their programs most effective. Agencies engaged in highway administration, for example, are finding the recommendations of land-use planning committees very valuable in determining their plans for the construction and maintenance of the roads under their supervision. In Etowah County, Alabama, one road is already being built by the county as a direct result of recommendations by the community committee. In Quay County, New Mexico, the county and State highway departments and the Public Roads Administration have accepted most of the recommendations of the county committee for improvement of the secondary road system and have requested the planning committees in other counties in the State to indicate priorities for highway improvement.

The Mississippi State Forest Commission modified its original purchase plans to acquire certain lands in Covington County in order that the proposed forest be located in the area which the county land-use planning committee considered least suited for agricultural purposes. Acting upon the recommendation of the planning committee in Box Elder County, Utah, the Forest Service has agreed to expand the area of the Cache National Forest to include Wellsville Mountain, thereby obtaining more fire protection and grazing control, both of which the committee recommended.

In Spokane County, Washington, the Board of County Commissioners has accepted the recommendation of the planning committee to refrain from selling tax-forfeited land in those areas which it has mapped as unsuited for agriculture, unless such land is purchased to enlarge the pasture or woodlot of an existing farm which needs enlarging to place it on an economic operating basis.

An excellent example of the impetus which the planning program may give to the solution of a problem and of the coordination of effort which may result is the farm drainage work under way in the Pocomoke River watershed in Worcester and Wicomico Counties, Maryland. On the recommendation of the planning committees, each county has appropriated \$10,000, the State has allocated \$30,000, the federal government is supplying the services of a C.C.C. camp and the work is being supervised by the agricultural engineering department of the University of Maryland. These represent but a few examples of the accomplishments to date of the land-use planning program.

360,037

4,780

33,054

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397,871

SUPPLEMENTAL FUNDS  
(Complete bureau statement)

Projects	Obligated, 1939	Estimated obligations, 1940	Estimated obligations, 1941
<u>Special Research Fund, Department of Agriculture (Bureau of Agricultural Economics):</u>			
For special researches on economic factors affecting the farm industry .....	\$61,629	\$61,510	\$58,810
<u>Conservation and Use of Agricultural Land Resources, Department of Agriculture (New Uses and Markets for Agricultural Commodities, Regional Laboratories, and Surveys), (Bureau of Agricultural Economics):</u> Economic research in connection with survey to determine location of regional agricultural laboratories and scope of their investigations .....	4,780	- -	- -
<u>Agricultural Adjustment Administration (Salaries and Expenses) (Bureau of Agricultural Economics):</u> Surveys, investigations and research into the factors affecting and the plans, programs and methods of accomplishing the policy and purpose of agricultural adjustment, and cooperation with Federal, State, County, and other local organizations in formulating and coordinating programs for the economic use and conservation of land and agricultural marketing and surplus control .....	152,679	436,580	436,580
<u>Conservation and Use of Agricultural Land Resources (Adjustments in Freight Rates for Farm Products) (Bureau of Agricultural Economics):</u> Statistical work and other services in connection with the administration of Title II of the Agricultural Adjustment Act .....	33,054	100,000	100,000





## SUPPLEMENTAL FUNDS - Continued.

Projects	Obligated, 1939	Estimated obligations, 1940	Estimated obligations, 1941
<u>Conservation and Use of Agricultural</u>			
<u>Land Resources (Bureau of Agricultur-</u>			
<u>al Economics): For statistical work</u>			
<u>and other services in connection with</u>			
<u>the administration of Title III of</u>			
<u>the Agricultural Adjustment Act .....</u>	\$360,037	\$500,060	\$500,060
<u>Administration of Federal Crop Insur-</u>			
<u>ance Act, Department of Agriculture</u>			
<u>(Bureau of Agricultural Economics):</u>			
<u>Statistical and other services re-</u>			
<u>quired in carrying out the pro-</u>			
<u>visions of the Federal Crop Insur-</u>			
<u>ance Act .....</u>	51,300	80,000	76,800
<u>Land Utilization and Retirement of</u>			
<u>Submarginal Land, Department of</u>			
<u>Agriculture (Bureau of Agricultural</u>			
<u>Economics): Development of program</u>			
<u>for conserving land resources and</u>			
<u>utilizing land to the best advantage.</u>	1,001,826	973,500	500,000
<u>Flood Control, General (transfer to</u>			
<u>Agriculture) (Bureau of Agricultural</u>			
<u>Economics): For preliminary exam-</u>			
<u>inations and surveys for run-off</u>			
<u>and water-flow retardation and soil-</u>			
<u>erosion prevention on watersheds of</u>			
<u>flood-control projects authorized by</u>			
<u>law .....</u>	360,414	760,000	(a)
<u>Development of Water Facilities, Arid</u>			
<u>and Semiarid Areas, Department of</u>			
<u>Agriculture (Bureau of Agricultural</u>			
<u>Economics): Assistance in develop-</u>			
<u>ment of a program for providing</u>			
<u>facilities for water storage and</u>			
<u>utilization, to be reflected in</u>			
<u>better utilization of land resources.</u>	35,526	25,000	25,000



## SUPPLEMENTAL FUNDS - Continued.

Projects	Obligated, 1939	Estimated obligations, 1940	Estimated obligations, 1941
<u>Emergency Relief, Agriculture, Bureau</u>			
<u>of Agricultural Economics, Water</u>			
<u>Conservation for Rural Rehabilita-</u>			
<u>tion: Surveys in connection with</u>			
water conservation, dams, reser-			
voirs, and other facilities for			
water storage and utilization ....	\$153,012	\$175,000	(a)
<u>Emergency Relief, Agriculture, Agri-</u>			
<u>cultural Economics, Administrative</u>			
<u>Expenses: Surveys and cooperation</u>			
<u>in the formulation of programs for</u>			
<u>the utilization of land and other</u>			
<u>facilities for rural rehabilitation:</u>	80,837	147,845	(a)
<u>Administration of Price Adjustment</u>			
<u>Act of 1938, Department of Agri-</u>			
<u>culture (Bureau of Agricultural</u>			
<u>Economics): Gathering, compiling</u>			
and analyzing information relating			
to agricultural income, prices			
and trends, demand and movement of			
farm products in connection with			
formulating plans and programs for			
carrying out the Price Adjustment			
Act of 1938 .....	- -	125,000	- -
<u>Exportation and Domestic Consumption</u>			
<u>of Agricultural Commodities, De-</u>			
<u>partment of Agriculture (Bureau of</u>			
<u>Agricultural Economics): For</u>			
economic research and assistance			
in formulating and carrying out			
programs for improvement in the			
marketing and utilization of farm			
and food products and the control			
of surplus agricultural products .	- -	50,000	42,000
<u>Administration of Sugar Act of 1937,</u>			
<u>Department of Agriculture (Bureau</u>			
<u>of Agricultural Economics):</u>			
Economic research and assistance in			
formulating programs in various			
States covering agricultural pro-			
duction and marketing which are re-			
lated to the purposes of the Sugar			
Act of 1937 .....	10,898	34,000	34,000



## SUPPLEMENTAL FUNDS - Continued.

Projects	Obligated, 1939	Estimated obligations, 1940	Estimated obligations, 1941
<u>Liquidation and Management of Resettle-</u>			
<u>ment Projects, Department of Agricul-</u>			
<u>ture (Bureau of Agricultural Economics):</u>			
Economic research and assistance in			
carrying out the provisions of Sec.			
43 of Title IV of the Bankhead-Jones			
Farm Tenant Act .....	---	\$15,000	\$11,250
<u>Farm Tenancy, Department of Agriculture:</u>			
<u>(Bureau of Agricultural Economics):</u>			
Economic research and assistance in			
formulating programs in connection			
with the administration of the Farm			
Tenant Act .....	---	35,000	21,875
<u>Salaries and Expenses, Soil Conserva-</u>			
<u>tion Service (Bureau of Agricultural</u>			
<u>Economics): For economic research and</u>			
<u>assistance in formulating programs</u>			
<u>in connection with the administration</u>			
<u>of the Soil Conservation Service ....</u>	\$31,126	---	---
Total, Supplemental Funds.			(a)
(foregoing items) .....	2,337,118	3,518,495	1,806,375

(a) Information as to 1941 funds for flood control and emergency relief not yet available.





## SUPPLEMENTAL FUNDS - Continued.

Allotments carried into the appropriation "Economic Investigations,  
Bureau of Agricultural Economics", by Transfer Warrant

Projects	Obligated, 1939	Estimated obligations, 1940	Estimated obligations, 1941
<u>Salaries and Expenses, Soil Conserva-</u> <u>tion Service (Bureau of Agricultural</u> <u>Economics) .....</u>	---	\$98,000	\$75,000
<u>Salaries and Expenses, Forest Service,</u> <u>National Forest Protection and</u> <u>Management .....</u>	---	6,000	6,000
<u>Acquisition of Lands for Protection of</u> <u>Watersheds of Navigable Streams</u> <u>(Forest Service).....</u>	---	5,000	5,000
<u>Forest Roads and Trails, Road and Trail</u> <u>Construction, Maintenance and Miscel-</u> <u>laneous Expenses .....</u>	---	14,000	14,000
Total, allotments by transfer warrants .....	---	123,000	100,000
Grand Total, supplemental funds .....	\$2,337,118	3,641,495	1,906,375



AGRICULTURAL MARKETING SERVICE

## (a) GENERAL ADMINISTRATIVE EXPENSES

Appropriation Act, 1940.....	\$157,306
Budget Estimate, 1941.....	158,636
Increase.....	<u>1,330</u>

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase
1. General administration and business service.....	\$157,306	\$157,306	\$157,306	---
2. Additional for adminis- trative promotions.....	---	---	1,330	+\$1,330 (1)
Total appropriation..	157,306	157,306	158,636	+ 1,330

## INCREASE

(1) \$1,330 additional is estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941.

## WORK UNDER THIS APPROPRIATION

General.--The work conducted under this appropriation includes the activities of the Chief and his assistants in formulating general policies to be acted upon by the various divisions of the Service, as well as the direction and general supervision of all research, service, and regulatory work, the administration of fiscal and property work and general supervision of personnel.



## (b) MARKETING FARM PRODUCTS

Appropriation Act, 1940.....	\$431,470
Budget Estimate, 1941.....	428,270
Decrease.....	<u>3,200</u>

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase or decrease
1. Fruits and vegetables, marketing research on.....	\$45,282	\$58,500	\$54,830	-\$3,470 (1)
2. Livestock, meats and wool, marketing research on.....	71,083	79,450	79,450	---
3. Dairy and poultry products, marketing research on.....	19,652	21,900	21,900	---
4. Hay, beans, and seed, marketing research on.....	42,522	43,000	43,000	---
5. Cotton quality standardization and marketing research.	155,350	142,800	139,800	- 3,000 (2)
6. Grain standardization and marketing research.....	59,055	60,500	60,500	---
7. Interpretation and dissemination of information.....	22,600	25,520	25,520	---
8. Additional for administrative promotions.....	---	---	3,270	+ 3,270 (3)
Unobligated balance.....	11,269	---	---	---
Total appropriation....	426,620	431,470	428,270	-3,200

## INCREASE OR DECREASE

The decrease of \$3,200 in this item for 1941 consists of:

(1) A decrease of \$3,470 in the allotment for "Marketing research on Fruits and vegetables," which will be effected by a reduction in the research work on these commodities.

(2) A decrease of \$3,000 in the allotment for "Cotton quality standardization and marketing research". This decrease will be effected by a reduction in the research work on cotton.

(3) \$3,270 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941.





## WORK ON THIS APPROPRIATION

General.--This appropriation provides for the marketing research work of the Agricultural Marketing Service. The research work forms the basis for conducting much of the service and regulatory work which is provided for by specific statutes and separate appropriation items. The research work is focused primarily upon problems related to the physical handling of farm products during the marketing process. It includes the collection of information as to improved methods of packing, packaging, and preparing farm products for market, and the dissemination of such information among farmers and distributors through publications and practical demonstrations carried on in co-operation with Extension and other State agencies and with farm groups.

Grade standardization research is an important activity under this appropriation and centers about the development of standards, or measures of market quality, for each product. This work involves a determination of the factors and attributes inherent in a product which may affect its value or relative market desirability. The formulation of grade specifications resulting from this research work is an integral part of the administration of specific standardization and inspection laws such as the Grain Standards Act and the Cotton Futures and Cotton Standards Acts which require the use of official grades when those products are sold by grade. This research serves the same purpose with respect to the development of quality grades as a basis for permissive inspection services such as those conducted for fruits and vegetables, dairy and poultry products, and numerous other farm commodities. It also provides a basis for the conduct of market news reporting and the administration of laws such as the Perishable Agricultural Commodities Act where the use of definite standards of quality is essential to the effective administration of such laws. The standards developed have been adopted by many of the States, and whether their use is required or influenced by Federal or State law, they are rapidly becoming an indispensable part of the marketing system.

In addition to the basic formulation of grade specifications, this work is geared into and made a part of the daily inspection work which requires the interpretation of the standards in commercial practice and the development of improved inspection technique, such as devices for the more precise measurement of quality factors such as color, moisture, damage, and other factors. It includes spinning and ginning tests of the various types and grades of cotton, and milling and baking tests for grain in order to check the application of the standards against new conditions which arise from changes in products and in merchandising methods. Continuous research in this field is required to keep pace with changes arising from the introduction of new varieties, insect and disease damage and their effect upon quality descriptions, and the development of new uses and different marketing practices. The recent development of quick freezing, for example, has introduced new problems of grading the products to which that process is applied. The research work is carried on under the following projects:

1. Marketing Research on Fruits and Vegetables.--The work carried on under this project falls in two classes: The research necessary to the establishment of grades and standards, and studies of marketing methods and practices.



The establishment of standards is, of course, essential to the conduct of the grading and inspection activities carried on by the Service. Standards have been established for 57 of the fresh fruits and vegetables, in addition to the use of the standards as the basis for the inspection work they are likewise widely used throughout the country in educational work among farmers as the basis for improving quality and have been adopted by many of the States as the official grades within the State.

With the rapid expansion of canning, cold packing, and quick freezing methods of preservation, there is need for standards as a basis for contracts between growers and processors for the raw products used in these methods of preservation. Grades have been developed for a few of these products, but there is need for the development of many more to cover such crops as citrus fruits, peas, lima beans, beets, peaches, and blueberries. Growers experience difficulty in making deliveries to freezers and other processors in the absence of well-defined standards and, in turn, the processors experience difficulty in making sales in wholesale channels, unless the sales can be predicated upon clearly defined standards.

There is need for further research in order to refine and make more specific the definitions for various grade defects in a number of the standards now in effect. Further investigations are needed to develop improved methods and mechanical devices for obtaining more uniform interpretation of grade factors. A study should be made to develop time-saving methods in inspection procedure. The increasing use of consumer packages in merchandising fruits and vegetables creates a need for more specific and clearly defined grades for these products.

The studies of marketing methods and practices are closely coordinated with the standards work. In addition, however, these studies utilize the information gathered through the actual inspection and grading activities and the information gained from the market news service. All of this information is used in the preparation of bulletins which are issued for the benefit of farmers, farm organizations, State extension services, and others. Bulletins issued during the past year under this project included the following: Preparation of Cabbage for Market; Marketing Commercial Cabbage; Origin and Distribution of the Commercial Potato Crop. Two special reports were issued in mimeograph form: Market Distribution and Price Spreads of Louisiana Strawberries; Present Status of State Legislation in the United States as it Relates to the Standardization of Fresh Fruits and Vegetables.

The interest and actual use of the information contained in the bulletins issued is demonstrated conclusively by the fact that supplies have been quickly exhausted in most cases.

2. Marketing Research on Livestock, Meats, and Wool.--Changes in methods of marketing livestock and increased consumer demand in recent years for means of identifying quality in meats have created a need for work in this field. Studies conducted under this project have made it possible during the past year to revise and simplify the standards for carcass grades of beef. For several years a number of beef wholesalers have graded their beef in accordance with a system of grades developed in the meat packing



industry. Although these standards were based on the same grade characteristics as the official grade standards for beef they provided for 10 grades instead of the 7 grades used in the official standards. Cattle producers, retailers, and consumers urged that the two grading systems be coordinated to effectuate a national uniform grading system and as a means of increasing the quantity of beef graded according to official standards and designated in accordance with uniform grade terminology. The revised standards, effective July 16, 1939, provide for the coordination of the industry grades with the official grades and make possible a unified grading system for beef. The U. S. standards are intended primarily to facilitate the identification of beef by grade on the part of the consumers, and form the basis for the meat grading work conducted under another appropriation. Considerable work is under way for the preparation of standards for meat and meat products.

The increased marketing of livestock at country points and the recent rapid growth of livestock auctions have complicated the livestock marketing problem and the problem of market reporting and have necessitated further work in the formulation and clarification of applicable grades for live animals. During the past year a bulletin describing and defining grades of slaughter, stocker, and feeder swine was completed. Studies were made for the purpose of correlating live lamb and lamb carcass quotations at different markets on the basis of grade; and a method of quoting live lambs which enables market reports to report prices in terms of grades was adopted. There is rapidly increasing interest in the sale of lambs by grade particularly in Virginia, West Virginia, Tennessee, and North Carolina where approximately 210,000 lambs were graded and sold according to the official grades for lambs last year. It is estimated that 10,000 people attended grading demonstrations and an even greater number attended sales and observed graded lambs sold on the basis of U. S. standards.

Standards based on the factor fineness of fiber have been developed for wool and serve as the basis for quoting prices for wool by class and grade. During the past year standards for wool tops (scoured, combed, wool ready for spinning) were formulated and have been promulgated effective January 1, 1940. On that date these standards will become the basis for trading in wool top futures as required by the Commodities Exchange Act. The application of these standards will require further study.

Shrinkage is the most important factor in determining the value of wool in the grease. A considerable part of the work on wool under this project is devoted to determining the practicability of estimating shrinkage while the wool is still in possession of growers. With the expectation of giving the grower a basis upon which he can determine the fairness of the buyer's estimate of the shrinkage of his clip, an effort is being made to develop a practical means of determining shrink from a sample. During the past year an extensive program was carried on in developing a reliable method of sampling clips at the ranch and in perfecting a laboratory methods of scouring samples. The objective of this work is a standard method of determining shrinkage of a clip of wool by testing small samples.





3. Marketing Research on Dairy and Poultry Products.--The work under this project deals primarily with problems of standardization and the preparation of dairy and poultry products for market. Effective April 1, 1939, the standards for quality of creamery butter, which had been in use for several years in our butter grading work, were revised. Under a provision in the Commodity Exchange Act, these standards became mandatory in connection with trading in futures contracts and the delivery of butter in settlement of such contracts. The new standards provide a more direct and definite method of grading and should result in a higher degree of uniformity in the grading of butter.

Studies and conferences with industry groups are under way with a view to revising the official standards of quality for eggs. These standards were formulated some years ago, but experience in their use in grading and merchandising eggs has indicated the need for more precise definitions of quality specifications. When the standards for eggs are revised, their use will become mandatory in connection with future trading on contract markets subject to the supervision of the Commodity Exchange Act and will be the basis for conducting the egg grading service provided for under another appropriation. Tentative standards have been provided for live and dressed poultry, including dressed turkeys. These standards need further study in view of changes taking place in the methods and practices of marketing live poultry, particularly at auction markets.

The tentative standards for dressed poultry need much further study in view of the increase in the marketing of dressed poultry in eviscerated form. Under this method of marketing, dressed poultry is eviscerated, prepared, and packaged in ready-to-cook form. Some of it is prepared under Government inspection with each bird bearing an official inspection label certifying to its condition and wholesomeness, and there is a tendency to sell such poultry according to official grades with the grade designation shown on each individual package for the information of consumers. It is important that research work be done on such problems as the use of storage poultry for evisceration, the proper packaging and freezing of such poultry, and subsequent storage of it to prevent deterioration and also to preserve its quality and condition in the channels of trade. Some research work is also being carried on in connection with the standardization and grading of cheese and of dry and evaporated milk.

While the studies conducted are basic to the inspection activities of the Service, the results obtained are of direct value to farmers in aiding them to improve the methods of handling their produce. The factors which constitute grade or quality are of primary importance to the farmer in his production and marketing program. The results of the studies are, therefore, issued in bulletin form and have proven of great interest to farmers, farm organizations, extension workers, and others in their effort to improve the preparation of farm produce for market. For example, one bulletin that was issued under this project was "Grading Dressed Turkeys." Nearly 25,000 of these bulletins were distributed between September 1938 and October 1939.





4. Marketing Research on Hay, Beans, and Seed.--Work under this project consists mainly of studies in the standardization of soybeans, beans, peas, hay, and seed, and studies of marketing methods for the purpose of improving the preparation of these products for market. One of the important lines of work carried on under this project is that dealing with soybeans. During 1939 progress was made in the study of the percentage of oil and protein in soybeans as related to the commercial value of this product. Continued studies are necessary to determine the relationship between these factors and various types of damage and other factors of quality now incorporated in the official standards. Correlations of the quality of oil with the degree and type of damage are being made. With more definite data on this point, recommendations can be made for controlling or preventing damage which most seriously affects the value of the product as produced on farms.

The grade of soybeans is affected, among other things, by the percentage of foreign material contained. The basic or contract grade permits 2 percent in this factor. In the past soybeans that contained in excess of this 2 percent allowance were discounted in price. More recently discounts are being made on the basis of the weight of foreign material in excess of 2 percent, the value being computed on the basis of net weight and the No. 2 grade price unless the grade be affected by some other factor. The problem now being considered is whether the construction of the standards shall be changed to incorporate the principle of dockage so as to conform to changing trade practices. Before a decision can be reached a thorough study must be made of the effect of the proposed changes on the relative value of soybeans of varying qualities as produced and marketed by growers.

Another important problem is the marketing of country-run forage seed from producing centers and the proper determination of dockage for such seed. Many controversies have arisen because of misunderstanding as to the proper appraisal of the value of country-run seed. During the past year studies have been made of timothy and sweet clover, with a view to establishing definite bases for the determination of dockage. Further studies are planned for Lespedeza, Sudan grass, alfalfa, red clover, white clover, forage sorghums, millets, and other forage seed.

No uniform standards or practices are prevalent in the labeling of field seed as sold to the ultimate consumer. Studies have been made during the past year as a basis for recommending uniform labeling and more ethical methods of merchandising and advertising seed. Studies should be made as to the method of sampling, blending, and preparing for market agricultural seed in order that they may be sold under a safe and more uniform standard of quality. The gathering of such information is essential to the effective administration of regulatory seed laws, both Federal and State.

In the field of hay marketing, in addition to the regular studies covering the various hay grades, studies of the factors of quality for use in establishing standards for cowpea hay have been started. These standards would be important in the Southern States and are needed by the Extension workers for an educational program among farmers, emphasizing the value of high quality hay. A general educational program featuring the value of



high quality hay in farm feeding has been carried on for several years. Type samples illustrating various kinds of qualities and grades of hay are prepared each year for distribution to county agents, vocational educational teachers, and other agricultural workers for use in an educational program. Approximately 3,000 samples were distributed last year.

5. Cotton Quality Standardization and Marketing Research.--The work under this project deals with various technical problems related to standards for describing the quality of cotton for use in marketing, and with studies of marketing practices with a view to recommending improvements in marketing procedure particularly with respect to the physical handling of this product. Laboratory studies are being made of various kinds of cotton fibers involving their behavior under varying conditions of ginning and spinning with a view to completing and perfecting the cotton standards so that they will more closely reflect the various qualities needed by manufacturers for making various kinds of cotton goods.

Such studies also furnish valuable information as a basis for selecting varieties possessing the most desirable qualities in the greatest degree and for determining variations in cotton quality when grown under varying conditions of soil and climate. Thus, while these fiber studies are carried on primarily as a basis for improving the official cotton standards authorized by statute, they produce information and "benchmarks" that are directly applicable and equally helpful to other Federal, State and private agencies who are engaged in efforts to improve the properties of cotton fibers through seed breeding and cultural methods, to retain quality improvements in the cotton through proper ginning, and to utilize them most effectively in manufacture.

The Department has established universal cotton grade standards and official staple length types. These are currently being used around the world in the marketing of American cotton. The grade standards give a basis for the evaluation of color, foreign matter, and preparation; the staple length types serve as practical guides for the measurement of fiber length. Copies of the official standards for grade and staple are sold to merchants and manufacturers throughout the world to facilitate the movement of American cotton through international, interstate and intrastate commerce.

In addition to the quality factors covered in the official grade and staple standards, there are numerous other fiber properties which affect the spinning quality, value, and marketability of cotton in a very important way. These are commonly lumped together for convenience under the term of "character." No official standards have been established for cotton character nor for any of its segments. Progress is being made, however, in this field.

Cotton character and character standards are important for a number of reasons. Textile manufacturers are finding that different cottons of the same staple length and grade frequently give them appreciable differences in spinning quality and in the quality of their manufactured products. They are discovering that cottons of shorter staple length sometimes give



them better spinning results than longer cottons. Repeated requests are coming to the Department from spinners, shippers and others of the cotton trade and textile industry, to establish authentic and unbiased cotton character standards for use by all branches of the trade.

Manufacturers, shippers, growers and breeders alike are struggling "in the dark" with this matter of cotton character, as emphasized in a recent speech by a qualified member of the textile industry:

"...We are, however, far from the goal in this matter of classification character and, apparently, this as yet loosely defined characteristic enters into the picture to a marked extent...I feel perfectly safe in that I am much at sea with respect to this characteristic and I have the comforting feeling that no one else knows anything about it. Exact definition is impossible...I am sure of my ground in making the statement that character is by far the most important consideration in attempting to fit cotton to your needs in yarn or cloth..."

Reduction in cost of cotton production and manufacture is a very important factor in the interest of American cotton and American cotton farmers. In this connection, fine-fibered cotton requires less twist per inch of yarn to give maximum yarn strength than does coarse-fibered cotton. Other things being equal, therefore, the finer the cotton the less the cost of manufacture. Naturally this factor has great appeal to textile manufacturers.

On a basis of these and other findings, the competitive position of American cotton in foreign and domestic markets would be improved to the degree that fiber fineness and other character elements can be bred into it and to the extent that character differences can be recognized in the practical standardization, classification and marketing phases.

The cotton marketing research embraces studies of factors which define the territory serviced by selected local, central, and spinners' markets; specialization of business within such markets; methods of accumulating, concentrating, selecting, describing, and distributing cotton in and through such markets; baling, compressing, tarc, and patching practices; rules of organized markets and trade groups; costs of handling and selling; and evolutionary trends in these fields.

The following are lines of work of particular interest which have been or are being done in this field: (1) The development of mechanical sampling of cotton bales while they are being formed at gins so as to provide a cross-section of the contents of each bale in order to eliminate the cutting of bales for samples in marketing channels and to eliminate careless and fraudulent practices in the packing of bales; (2) the development of a system of permanent identification of individual cotton bales designed to facilitate the use through marketing channels of initial sampling and classification of the bale and intended to reduce the expense of duplication of such service and to fix responsibility for the manner in which bales are packed and to enable individual producers or groups of producers who are growing superior cotton to secure proper recognition for their efforts;





(3) an analysis of movement, points of concentration, and ultimate distribution of raw cotton for various producing areas as a basis for providing more effective marketing service; (4) an analysis of costs of services incident to marketing raw cotton as a basis for determining possibilities for reducing marketing margins; (5) the standardization of cotton bale covering materials with a view to providing a better cotton bale package and to facilitating trading on net weights; (6) and the development of marketing procedures in local markets in which cotton growers sell that will enable growers to realize prices consistent with the quality of their product.

6. Grain Standardization and Marketing Research.--The work under this project is designed primarily as a scientific background for the formulation, amendment, and application of the grain standards in order that they may serve their greatest usefulness in commerce and be fair and equitable to producers. The standards themselves must be susceptible of prompt and practical application. The project is continually engaged in gathering information with respect to the production, transportation, handling, storage, and marketing practices in grain -- (1) in order that the standards may be correlated with existing trade practices, (2) to point out to producers and dealers methods by which losses occasioned by faulty production and marketing practices may be avoided, and (3) to provide information to grain inspection departments, agricultural chemists, agronomists, and others with respect to precise laboratory methods for evaluating grain and its processed products for commercial purposes. Administratively the project is divided into sub-projects including grain standardization, which embraces the testing of grain and the development and checking of mechanical equipment such as moisture-testing devices, dockage testers, sieving equipment, etc., used in country and terminal elevators in their merchandising operations as well as in inspection departments and Federal offices; milling and baking tests to evaluate the properties of new and improved varieties of wheat; simplification of methods for determining soundness in wheat and corn to insure safe transportation and storage; evaluating the malting qualities of different types of barley; quantitative and qualitative analyses of oil in soybeans and flaxseed; and investigational work to provide the rice industry with useful information in effecting improvements in the methods of producing, handling, marketing, and storage of rice.

This investigational and research work is performed in a precise laboratory way before any attempt is made to apply the results in commercial inspection and grading. It is a continuing obligation, as the data on a sufficient number of crops must be obtained to round out the problem. Farmers and country elevators are not equipped to perform many of these chemical tests and analyses, although the larger buying firms and producers are so equipped. They look to the Department for leadership in such matters for the reason that the use of the Federal standards is imposed by law and they therefore have the right to expect that the official standards will, on the one hand, reflect to the producer the value of the grain crops which he raises, and on the other hand the intrinsic value to the purchaser or processor in the light of his merchandising methods. Notwithstanding the splendid accomplishments which have been attained by this project, the evolution of the industry, the new uses for grain crops, the refinements which have been introduced into the marketing processes, and the more detailed information re-



quired on inspection place a rather serious burden on this project to research thoroughly the many problems which the grain public expects us to solve.

7. Interpretation and Dissemination of Information.---The work under this project consists of the gathering of marketing information and distributing it in the style and form best suited to the needs and wishes of the interested groups to whom it is directed.

Material intended for public dissemination is cleared through the Marketing Information Section. The material is reviewed for accuracy, adequacy, and style and put in final form for release as bulletins, reports, handbooks, service and regulatory announcements, periodicals, press releases, and other types of media. The information is intended for farmers, consumers, businessmen, marketing specialists, educators, newspapers, etc. Mailing lists are maintained and circularized each year. Attention is given in a supervisory and coordinating capacity to material originating in and disseminated by the field offices. Material for radio programs and market news flashes is prepared for distribution over nationwide and regional networks, local stations, and to press associations for syndication to radio stations. Exhibits are planned for important expositions and fairs. Photographs and charts are prepared for use in publications and for extension work. In addition, an active "spot" information service is conducted in person, by correspondence, and by telephone and telegraph. Increasing attention is being given to acquainting farmers and consumers with services available to them. Modifications in plans, such as to get more adequate distribution of information regionally and locally, are made from time to time as need arises and personnel facilities permit.

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## (c) CROP AND LIVESTOCK ESTIMATES

Appropriation Act, 1940.....	\$747,510
Budget Estimate, 1941.....	730,850
Decrease.....	16,660

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase or decrease
1. Crop, livestock, and related reports.....	\$640,118	\$747,510	\$725,000	-\$22,510 (1)
2. Additional for administrative promotions.....	---	---	5,850	+ 5,850 (2)
Estimated savings and unobligated balance.....	2,681	---	---	---
Total appropriation...	642,799	747,510	730,850	- 16,660

## INCREASE OR DECREASE

The decrease of \$16,660 in this item for 1941 consist of:

(1) A decrease of \$22,510 in the allotment for "Crop, livestock, and related reports." This decrease will be effected by general reduction in the crop reporting activities, particularly as related to fruits and vegetables and dairy and poultry products.

(2) \$5,850 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941.

## WORK UNDER THIS APPROPRIATION

General.---Work under this appropriation dates back to the beginning of the Department of Agriculture. For more than 75 years the crop reporting board has been responsible for reporting the condition of crops during the growing season and estimating the acreage and volume of agricultural production for the Nation. Reports are issued for more than 100 crops and 13 livestock items as well as for farm prices, farm employment and wage rates, farm income, stocks of certain crops on farms and many supplementary items dealing with the general field of agricultural production and utilization of farm products.

The data gathered under this appropriation are basic to a large part of the work carried on in the Department and a large number of public and private agencies throughout the country. It would be impossible to carry on many of the programs designed for the aid of agriculture without the





basic information provided by the crop reporting service. The collection of such statistics was started in order that farmers could have official information as to crop prospects and production to assist them in their producing and marketing operations, and to protect them against misleading information circulated widely by buyers and speculators.

The gradual expansion of the work has come about largely as the result of changes in the agricultural industry, which have created new marketing problems. Requests for more detailed information have come not only from producers and their organizations, but from marketing agencies, railroads, credit agencies, legislators, administrators of national farm programs, and others. Much information desired in detail for present day operations of farmers and business men is not yet provided.

The backbone of the crop and livestock reporting work is the corps of voluntary crop reporters -- more than 200,000 of them -- who serve without pay. Most of these reporters are farmers or ranchers who report conditions on their own and nearby farms or ranches. Others are merchants, cooperative associations, canning associations, railroad officials, stockyard companies, and other groups. In securing the information on which the various estimates and forecasts are based, more than 9 million copies of questionnaires were distributed during the past year.

The reports issued cover cotton; 29 grain, hay, forage, and legume crops; 17 clover and grass seeds; 25 fruits and nuts; 26 vegetables and truck crops; 4 sugar and sirup crops; and 5 miscellaneous crops; inventories of livestock; estimates of livestock and poultry production; and production estimates for milk, wool, and eggs; also monthly and annual estimates of farm prices to serve as a basis for evaluating the production of crops, livestock, and livestock products and for measuring the rise and fall of prices of farm products as a group. The work includes the collection and publications of timely information concerning acreage, yields, progress of growing crops, forecasts of production, estimates of stocks of commodities in the hands of farmers and first receivers, forecasts of livestock numbers, and many other special reports.

Most of the tabulation and original preparation of estimates is done in the 41 offices maintained in the various States. In all, 22 State departments, boards, or commissions of agriculture and other State agencies; and 8 State colleges of agriculture, universities, or agricultural experiment stations are cooperating in the maintenance of these offices. The branch offices are located at Albany, N. Y.; Athens, Ga.; Austin, Tex.; Baton Rouge, La.; Boise, Idaho; Boston, Mass.; Charleston, W. Va.; Cheyenne, Wyo.; College Park, Md.; Columbia, Mo.; Columbia, S. C.; Columbus, Ohio; Denver, Colo.; Des Moines, Iowa; Fargo, N. Dak.; Gulfport, Miss.; Harrisburg, Pa.; Helena, Mont.; Knoxville, Tenn.; Lansing, Mich.; Las Cruces, N. Mex.; Lincoln, Nebr.; Little Rock, Ark.; Louisville, Ky.; Madison, Wis.; Montgomery, Ala.; Oklahoma City, Okla.; Orlando, Fla.; Phoenix, Ariz.; Portland, Oreg.; Raleigh, N. C.; Richmond, Va.; Sacramento, Calif.; St. Paul, Minn.; Salt Lake City, Utah; Seattle, Wash.; Sioux Falls, S. Dak.; Springfield, Ill.; Topeka, Kans.; Trenton, N. J.; and West Lafayette, Ind.





## SUPPLEMENTAL FUNDS

Projects	Estimated obligations, 1941	Estimated obligations, 1940	Obligated, 1939
Working Fund, Agriculture, 1940 Agricultural Marketing Service, (Commerce, Expenses of Sixteenth Census 1940):			
For statistical and other ser- vices in connection with the 1940 Census of Agriculture	---	\$35,000	---
Agricultural Adjustment Act:			
Salaries and Expenses: Crop and livestock estimates covering on-tree prices for fruit; stat- istics of prices paid by farmers; and numbers of milk cows.....	\$120,000	120,000	\$120,604
Conservation and Use of Agricul- tural Land Resources: Crop pro- duction data required by the Agricultural Adjustment Adminis- tration in establishing county quotas and related data.....	220,000	220,000	198,854
Total, Supplemental Funds...	340,000	375,000	319,458



## (d) MARKET INSPECTION OF FARM PRODUCTS

Appropriation Act, 1940.....	\$459,000
Budget Estimate, 1941.....	430,000
Increase.....	<u>21,000</u>

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase or decrease
1. Inspection and certification of fruits and vegetables.....	\$273,540	\$273,795	\$278,795	+\$5,000(1)
2. Grading and certification of canned fruits and vegetables.	33,749	34,400	39,400	+ 5,000(2)
3. Grading and certification of dairy and poultry products...	49,810	57,090	57,090	---
4. Inspection and certification of hay, beans, soybeans, etc.	27,679	28,350	28,350	---
5. Grading and certification of livestock and meat.....	35,708	35,750	39,250	+ 3,500(3)
6. Inspection and certification of rice.....	4,525	4,615	7,115	+ 2,500(4)
7. Inspection of cotton seed...	24,584	25,000	25,000	---
8. Additional for administrative promotions.....	---	---	5,000	+ 5,000(5)
Unobligated balance.....	405	---	---	---
Total appropriation.....	450,000	459,000	480,000	+21,000

## INCREASE

The increase of \$21,000 in this item for 1941 consists of:

(1) An increase of \$5,000 for an additional supervisor of inspectors for fresh fruits and vegetables in the Pacific Northwest. The inspection work at shipping points has increased considerably in recent years. With the expansion has come added responsibility for the adequate supervision of field forces operating in scattered points throughout the producing sections. One of the areas where there is particular need for added supervision and assistance in conducting the work is in the Pacific Northwest. In this area there is a large production of fruit and vegetables that move to market on the basis of the Federal inspection certificates issued in cooperation with the States. The increased funds requested would be used to provide the services of a field supervisor for the Pacific Northwest to aid in coordinating the work of the field inspectors as to policies and procedure to be followed.



(2) An increase of \$5,000 for expansion of the service on canned fruits and vegetables. Interest in this work has grown so rapidly that it is not possible to meet all applications for the service with the funds now available. The volume of work increased more than 28 percent during the past fiscal year. The increasingly active interest in grade labeling of individual packages, particularly for such products as canned fruits and vegetables, has created an unusual demand for this service.

(3) An increase of \$3,500 for inaugurating grading service on livestock in the Southeastern States. The grading of cattle, calves, lambs, and hogs in certain Southeastern States has been conducted on an experimental and educational basis for the past several years. Livestock in these States is now being graded by State marketing officials. In order to place this work on a permanent service basis and to insure greater uniformity in the application of Federal grades and standards as between the several States and to facilitate grading of producers' livestock, both producers and State marketing officials have requested the Agricultural Marketing Service to supervise the grading, license graders, and provide for the issuance of cooperative Federal-State certificates. The certificates issued would set forth the class and grade of livestock offered on the market. The establishment of such a service will facilitate the marketing of livestock by grade and payment to producers on the basis of quality.

(4) An increase of \$2,500 for expansion of the rice grading service, particularly in Texas. The trend on the part of all parts of the rice industry to utilize increasingly the official inspection has now exceeded the limited facilities for supplying the service. It has been impossible to meet the demand for expansion of the work under this project. The increase requested would be used to provide additional supervision for the inspectors, particularly in Texas, where the service is inadequate and the demands of the industry should be recognized.

(5) \$5,000 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941.

#### WORK UNDER THIS APPROPRIATION

General.---This appropriation provides a disinterested inspection and grading service for farm products. This service is permissive in character, the Federal inspector making the inspection only at the request of an interested party. Certificates are issued which constitute prima facie evidence in the courts of the United States as to the quality and condition of the shipments inspected. These certificates serve as a basis for trading as well as for the settlement of disputes. A very large part of the work is on a cooperative basis, the Federal Service furnishing supervision only. The work under the entire appropriation has been about 82 percent self-supporting,





since fees amounting to \$373,084 were returned to the Treasury during the past year. The inspection work is conducted under the following projects:

1. Inspection and Certification of Fruits and Vegetables.--During the past year a total of 48,865 carloads of fresh fruits and vegetables was inspected in receiving markets and 456,353 at shipping points, this latter work being done in cooperation with State agencies. In addition, large quantities purchased by the Federal Government, States, and municipalities were inspected.

Although inspections are made only upon application of an interested party, the importance and value of this work is not limited to one or two individuals who may be parties to a merchandising contract. This activity has an important and fundamental public interest. It promotes better marketing by the use of uniform quality standards, the inspection certificate aids in settling disputes which arise among buyers, sellers, carriers, and other parties, as to the quality and condition of commodities involved in individual transactions. Application of uniform standards is reflected directly to the grower in returns commensurate with the care in producing and handling his products. Educational programs with producers have for years been based very largely on the application of uniform grades and standards. This work is directly related to the administration of other Federal activities. For example, administration of many marketing agreements and surplus control programs under the Agricultural Adjustment Administration would be handicapped or impossible without inspection, and purchases by the Federal Surplus Commodities Corporation are based upon inspection certificates issued under this appropriation. The Perishable Agricultural Commodities Act could not be administered successfully without this activity because, in many of the cases arising under that Act, the inspection certificate constitutes the principal evidence upon which a decision can be made. Certain requirements of foreign Governments with respect to export shipments of fruits could not be met without this service nor could the Export Apple and Pear Act be administered.

Branch offices are maintained at Albany, N. Y.; Atlanta, Ga.; Baltimore, Md.; Baton Rouge, La.; Boise, Idaho; Boston, Mass.; Buffalo, N. Y.; Chicago, Ill.; Cincinnati, Cleveland, and Columbus, Ohio; Columbia, S. Car.; Denver, Colo.; Detroit, Mich.; East Providence, R. I.; Fargo, N. Dak.; Fort Worth, Tex.; Great Lakes, Ill.; Harlingen, Tex.; Harrisburg, Pa.; Hartford, Conn.; Houston, Tex.; Indianapolis, Ind.; Jacksonville, Fla.; Kansas City, Mo.; Los Angeles, Calif.; Memphis, Tenn.; Miami, Fla.; Milwaukee, Wis.; Minneapolis, Minn.; Newark, N. J.; New Haven, Conn.; New Orleans, La.; New York, N. Y.; Norfolk, Va.; Oklahoma City, Okla.; Omaha, Nebr.; Orlando, Fla.; Philadelphia, Pa.; Phoenix, Ariz.; Pittsburgh, Pa.; Portland, Oreg.; Rochester, N. Y.; Sacramento, Calif.; St. Louis, Mo.; Salem, Oreg.; Salt Lake City, Utah; San Diego, San Francisco, and San Pedro, Calif.; Seattle, Wash.; Tampa, Fla.; Vallejo, Calif.; Washington, D. C.; and Yakima, Wash. In addition, inspections are made at shipping points in cooperation with more than 40 States.

2. Grading and Certification of Canned Fruits and Vegetables.--Like other inspection and certification work conducted under this appropriation, the issuance of certificates on canned and other processed forms of fruits



and vegetables is done upon application of interested parties, including Federal, State, city, and other institutional buyers.

Coupled with the inspection of raw products for producers when delivered to canneries, this project provides a service to producers, distributors, and consumers which has been badly needed by this industry for many years and which has only recently been developed.

The increased recognition of the value of this work is indicated by the fact that 8,063 inspections were made in the last fiscal year compared with 4,559 in the previous year. The inspection of canned fruits and vegetables was approximately 76 percent self-supporting during the past year as compared with approximately 57 percent in the fiscal year 1938.

Canners and associations of producers use the grade certificates in connection with the use of their products as collateral to loans. For example, a \$7,500,000 loan last year to a cooperative group of producers was predicated upon values established by the grade certificates issued under this project. The certificates also help cooperative and other canners in selling their products in competition with national advertisers. Samples representing more than 3,800,000 dozen cans were graded last year for one association of producers.

The grade certificates are rapidly coming into use by Federal, State, city, and other institutional buyers. The business manager of one State advised that purchasing according to official grade specifications and official grade certificates resulted in a saving of \$50,000 in one year. The State of Ohio recently requested grading on all purchases for several State institutions. The Federal Specifications Board has indicated it will adopt the official grades for Federal purchases as rapidly as they are promulgated.

3. Grading and Certification of Dairy and Poultry Products.--Under this project a grading and inspection service is rendered at shipping points and terminal markets on various classes of dairy and poultry products, including butter, cheese, eggs, dried and evaporated milk, also live and dressed poultry, including turkeys. This service is permissive and is conducted largely in cooperation with State agencies, the work being performed by Federal employees or by State employees who are Federally licensed.

This service is used by many firms as a basis for standardizing and unifying the quality of products packed under their private brands and give assurance to consumers and others of the quality of the product - a certificate of quality or grade label being enclosed within or used to seal each consumer package. Many poultry canning plants and packers of eviscerated, full-drawn poultry use the service to assure the users or buyers of their products of their grade, also wholesomeness and condition, these being evidenced by the U. S. grade mark or the official inspection legend on the wrapper or label.

Branch offices are maintained at the following cities and work is conducted at many other terminal markets: Boston, Mass.; New York, N. Y.;



Philadelphia, Pa.; Minneapolis Minn.; St. Louis, Mo.; Seattle, Wash.; Portland, Oreg.; and San Francisco and Los Angeles, Calif. Shipping point inspection work is conducted in the following States: Maryland, Virginia, North Carolina, Florida, Ohio, Indiana, Michigan, Minnesota, Iowa, Oregon, California, Washington, Delaware, New Jersey, Texas, and Massachusetts.

4. Inspection and Certification of Hay, Beans, Soybeans, etc.--The work under this project includes inspection of soybeans, dry edible beans, dry peas, hay, country-run forage seeds for dockage, and verification of origin of alfalfa and red clover seed. These combined services returned to the U. S. Treasury the past year about \$40,000, compared to an expenditure under this appropriation of \$28,000.

Soybean inspection has been most useful in some of the central States, particularly Illinois, in providing inspection of soybeans as they are delivered from the farm to the mill or elevator and also on soybeans arriving at or shipped from terminal markets. It is also essential to the sale of soybeans for export. This latter movement is increasing and makes necessary more adequate facilities for supervision of inspections for export.

The dry edible bean inspection service has been particularly useful in some of the large producing States of the West where the service was available at large production centers. The service has been almost universally used in the States of Idaho and Wyoming and is available in all of the other large bean producing States. Large quantities of beans were inspected in Michigan and smaller quantities in other States the past year for delivery to the Federal Surplus Commodities Corporation which purchases all of its beans on Federal certificates. The receipts from bean inspections for last year exceeded those of any previous year and were 20 percent higher than either of the two years previous.

The inspection of dry peas is almost entirely confined to the large producing area of northwestern Idaho and eastern Washington. This is a valuable service to growers and shippers in that area. Growers depend almost entirely on pea dockage inspection certificates as a basis for sale of their peas to local buyers and processors. Without this certificate growers would be dependent upon practices of local buyers in the sale of their dry peas.

Seed dockage inspection was started in 1938 on timothy seed and was extended to sweet clover seed in 1939. It will probably be expanded to include other country-run forage seeds as rapidly as standards and rules can be developed for those kinds of seeds. Country shippers and large receivers and cleaners of country-run forage seeds are anticipating that the seed dockage inspection service will clear up many of their difficulties and eliminate many of the controversies which have formerly arisen over indefinite and uncertain methods of determining dockage or quality in country-run forage seeds. The purchase of such seeds on a clean-seed basis will do more to give the careful grower returns commensurate with the production and preparation of such seed than any other factor.

Hay inspections declined rapidly a number of years ago due to reduction of the horse population and the truck movement of hay from producer to consumer, but have become stabilized largely during the past two or three years







to provide inspection for the U. S. Army and other Federal agencies and large commercial dairies which purchase quantities of hay from distant points. In spite of the decline in hay inspection it is a necessary nucleus around which is built large programs of extension work on the use of better forage and to provide a basis for merchandising hay from certain surplus producing localities and to settle controversies on hay quality.

The seed verification service has been most useful in verifying the origins of alfalfa and red clover seed during the past 12 years. During the past three years approximately 60 million pounds of such seed have been verified as to origin each year. The service has made it possible for farmers to buy alfalfa and red clover seed with assurance of its correct origin.

Branch offices are maintained at Atlanta, Ga.; Chicago, Ill.; Denver, Colo.; Kansas City, Mo.; Los Angeles, Calif.; Minneapolis, Minn.; Ogden, Utah; Portland, Oreg.; San Francisco, Calif.; and Seattle and Spokane, Wash.

5. Grading and Certification of Livestock and Meat.--Meat grading, stamping, and certification work is maintained at 24 field stations in principal meat packing and consuming centers. There are two phases of this work. First, meat grading, stamping, and certification, the objective of which is to grade and identify and certify meats in accordance with the official U. S. standards so that consumers may select and purchase meats at retail by grade. Second, the grading, acceptance, and certification of meats offered for delivery on contract to organizations such as State, county, municipal, and private institutions, steamship lines, restaurants, and hotels, which specify the kind and grade of meat desired in terms of U. S. grade standards subject to grading, acceptance, and certification by Agricultural Marketing Service meat graders. Producers consider both of these phases of material benefit to them. Grading, stamping, and certification enable consumers to select the grade best suited for their use and ability to pay. When graded meats are used, substitution of lower for higher grades is prevented and producers of high grade livestock are assured that the meat produced therefrom is sold to consumers on the basis of its quality. The grading, acceptance, and certification of contract meats for institutions and other quantity buyers insures purchasers of delivery of the kind and grade of meat specified. It also provides vendors a uniform basis for submitting bids and promotes stability and confidence in the purchase and sale of meats and meat products. During the fiscal year 1939, 670,251,418 pounds of meat were graded.

Meat grading offices are located in the following cities: Baltimore, Md.; Boston, Mass.; Buffalo, N. Y.; Chicago, Ill.; Cincinnati, Cleveland and Columbus, Ohio; Detroit, Mich.; Indianapolis, Ind.; Kansas City, Mo.; Los Angeles, Calif.; Memphis, Tenn.; National Stockyards, Ill. (St. Louis area); New York, N. Y.; Oklahoma City, Okla.; Omaha, Nebr.; Philadelphia, Pa.; Phoenix, Ariz.; San Francisco, Calif.; Seattle, Wash.; So. St. Paul, Minn.; Waterloo, Iowa; Wheeling, W. Va.; and Washington, D. C.

6. Inspection and Certification of Rice.--Official rice inspection on a permissive basis is conducted on rough, brown, and milled rice in the States of Louisiana, Texas, Arkansas, and California. A Federal office is maintained at New Orleans to perform direct inspection and to supervise the



work of licensees operating under Federal-State agreements. A Federal office is also maintained at San Francisco to supervise inspections performed in California. Last year a total of 2,620,922 cwt. of rice was inspected under this project. Although it is confined to limited areas this service is highly important to the industry in those localities. Aside from commercial inspections the service is relied upon by government buying agencies both State and Federal and it plays an important part in the broader programs of the Department under the Agricultural Adjustment Administration.

7. Inspection of Cottonseed.--This project provides inspection for cottonseed marketed in the cotton-producing States east of Oklahoma and Texas. Project headquarters are maintained in Memphis, Tennessee, and in Atlanta, Georgia. During the season of 1938-39 samples of cottonseed were drawn, prepared, and certificated by 345 licensed and bonded samplers. These samples were sent to 20 licensed commercial chemists for analysis and grading according to the official standards. The licensed chemists issued certificates of grade on samples representing 82,565 lots or between 2 and 2-1/4 million tons of seed. Marketing cottonseed on grade has reduced the hazards of the industry and has tended to reduce the spread between the value of the products and the price offered for cottonseed of the basic grade, and moreover has been of material assistance in obtaining for farmers a price commensurate with the quality of their product. The work also makes it possible for farmers and the general public to be supplied with information relative to the variations and causes of the variations in the composition and grade of cottonseed and the resulting differences in value.

#### SUPPLEMENTAL FUNDS

Project	Estimated obligations, 1941	Estimated obligations, 1940	Obligated, 1939
<u>Incidental Expenses of the Army</u> <u>(Transfer to Agriculture) (Agricultural Marketing Service:</u> <u>Inspection of hay and supervision</u> <u>of Army hay inspectors . . . . .</u>	\$2,250	\$2,250	\$2,192



## (e) TOBACCO INSPECTION AND TOBACCO STOCKS AND STANDARDS ACTS

## Appropriation Act, 1940:

"Tobacco Inspection Act" .....	\$425,000 (a)
"Tobacco Stocks and Standards" .....	17,187 (a)
Total available, 1940 .....	442,187
Budget Estimate, 1941 .....	<u>442,187</u>

(a) The 1941 Estimates provide for the consolidation of these two items. (See "changes in language").

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)
1. Inspection and certification of tobacco .....	\$318,983	\$375,000	\$375,000
2. Market news service on tobacco .	46,013	50,000	50,000
3. Tobacco stocks and standards ...	17,186	17,187	17,187
Unobligated balance .....	10,005	- -	- -
Total appropriation .....	392,187	442,187	442,187

## CHANGES IN LANGUAGE

It is recommended that the language of this paragraph be amended to read as follows:

Tobacco Inspection [Act] and Tobacco Stocks and Standards Acts: To enable the Secretary of Agriculture to carry into effect the provisions of an Act entitled "An Act to establish and promote the use of standards of classification for tobacco, to provide and maintain an official tobacco-inspection service, and for other purposes", approved August 23, 1935 (7 U.S.C. 511-511q), and an Act entitled "an Act to provide for the collection and publication of statistics of tobacco by the Department of Agriculture", approved January 14, 1939 (7 U.S.C. 501-508), as amended, [\$425,000] \$442,187. (53 Stat. 968)

The above change consolidates the language of two subappropriation items, "Tobacco Inspection Act" and "Tobacco Stocks and Standards". The work under these two Acts is closely related and is performed by the same personnel. Therefore it is believed to be more logical and convenient to carry both activities under the same subappropriation item.

## WORK UNDER THIS APPROPRIATION

General.--The Tobacco Inspection Act, approved August 23, 1935 and the Tobacco Stocks and Standards Act, approved January 14, 1929 and amended August 27, 1935, are administered under this appropriation. The former has as its





objectives (1) to conduct an inspection service to furnish tobacco growers with dependable information as to the quality of their tobacco according to uniform standards and (2) to supply growers with market news reports showing prices paid for the different grades. The work of the Tobacco Stocks and Standards Act consists of the compilation and publication of quarterly reports covering the quantities of leaf tobacco in the hands of dealers and manufacturers separated as to type and to certain divisions within the type. The work is carried on under the following projects:

1. Inspection and Certification of Tobacco.-- Referenda on the application of mandatory inspection were held on thirteen tobacco markets during the fiscal year 1939, all resulting in the affirmative. Twelve had been designated to June 30, 1939, bringing to thirty-seven the total number of markets designated to the close of the fiscal year.

The volume of tobacco inspections under Section 5 of the Act during the year was approximately 255 million pounds, compared with 208,234,141 pounds in the fiscal year 1938. Inspections on non-designated markets for market news purposes and inspections in the cigar wrapper district of Connecticut and Massachusetts brought the total inspections for the year to 296,158,983 pounds.

Rapid headway has been made in perfecting the organization for expansion of the inspection service to meet the growing demands. Increasing demand for the service arises from the growing appreciation of the benefits derived by tobacco growers in connection with the sale of their tobacco at auction. These benefits center around the fact that without cost to the grower, a certificate of grade is placed on his tobacco by which he may have a concrete measure of the quality according to Federal Standard grades and by this information, coupled with the daily price reports, is enabled to check up on the sale of each lot of his tobacco as to the adequacy of the price bid. Instances of the profitable use of this service by growers are accumulating and their net effect is to ameliorate one of the outstanding defects of the auction marketing system. This refers to the undue hazard to which a grower is subjected under rapid selling conditions and the strong probability that ten to fifteen percent of the lots he offers will be sold at much less than their true market value.

Another type of work carried on under this project is the demonstration of tobacco sorting methods. During the past year, 1,199 such demonstrations were held in eight States and attended by 28,863 persons, mostly farmers. Supplementing this, 226 farmers' meetings were held at rural points to discuss the application of standard grades to auction marketing. It is mainly at such meetings and through such contacts that farmers and others can be given detailed and instructive information regarding the proper preparation of tobacco for market.

2. Market News Service on Tobacco.-- Section 9 of the Tobacco Inspection Act provides for a market news service primarily for tobacco growers, in order that they may be daily informed of the price at which various tobaccos are sold. With specific information as to grade and current selling prices, growers are in better position to determine the approximate market



value for their tobacco and can decide whether the prices bid are fair and reasonable according to existing market conditions. This service has proved extremely popular with tobacco growers wherever it has been instituted.

During the past year market news reports showing average prices by grades were issued at Louisville, Kentucky, covering the 12 burley tobacco markets in Kentucky, Tennessee, Ohio, West Virginia, and Virginia, on which inspection work under the Act was conducted. Daily price reports were issued on burley tobacco during the part of the marketing season in which rapid price changes occurred and weekly reports throughout the season. Weekly price reports were issued throughout the marketing season covering the 9 fire-cured markets in Kentucky and Tennessee on which the inspection work was conducted. In addition, weekly reports were issued on the One Sucker and Green River tobacco inspected on 3 dark air-cured markets. From the office at Raleigh, N. C., similar weekly price reports were issued covering 5 inspected flue-cured market of Types 11 and 12 in North Carolina and Virginia, and 5 inspected fire-cured markets in Virginia. Inspectors were stationed on a number of the South Carolina and North Carolina border markets and from information furnished by them a special weekly report was issued in Raleigh covering Type 13 flue-cured prices. Inspectors were stationed on numerous Georgia and Florida flue-cured markets to observe price trends and collect other market information. Special releases and weekly reports covering these markets were issued from a temporary office in Valdosta, Georgia. During the present fiscal year mandatory inspection service has been in operation at 3 Georgia and 3 South Carolina markets, and temporary market news offices have been set up in Douglas, Ga., and Florence, S. C.

3. Tobacco Stocks and Standards.-- Quarterly reports covering the quantities of leaf tobacco in the hands of dealers and manufacturers (the tobacco separated as to type and to certain divisions within the type) are published as of the first day of January, April, July, and October as required by the Tobacco Stocks and Standards Act. These reports represent a comparison of supplies held by dealers and manufacturers. A new and important feature was inaugurated in the quarterly reports of stocks of leaf tobacco during the fiscal year 1939. Total holdings are now separated in a supplemental table to show the quantities (a) in the hands of manufacturers or their representatives and not considered available for trading purposes and (b) those in the hands of dealers and exporters and available for purchase. The separation of the stocks reports on this basis avoids misinterpretation which had been placed on them in the past, especially by interested foreign purchasers, who interpreted them to mean that all tobacco shown was available for resale, whereas most of it was held by manufacturers and therefore was not available for trading purposes.

#### (b) TOBACCO STOCKS AND STANDARDS

The above item, carrying an appropriation of \$17,187 in the 1940 Appropriation Act, has been merged in the estimates for 1941 with "Tobacco Inspection Act" under the new title "Tobacco Inspection and Tobacco Stocks and Standards Acts".



## (g) MARKET NEWS SERVICE

Appropriation Act, 1940 .....	1,138,302
Budget Estimate, 1941 .....	<u>1,136,090</u>
Decrease .....	<u>2,212</u>

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase or decrease
1. Market news service on livestock, meats and wool...	\$460,389	\$468,889	\$464,889	-\$4,000 (1)
2. Market news service on fruits and vegetables.....	389,193	408,693	404,391	-4,302 (2)
3. Market news service on dairy and poultry products.	118,426	119,488	119,488	---
4. Market news service on grain, hay, feed, rice and hops.....	63,257	63,289	63,289	---
5. Market news service on cottonseed.....	19,299	19,943	19,943	---
6. Marketing statistics.....	57,699	58,000	58,000	---
7. Additional for administrative promotions.....	---	---	6,090	+6,090 (3)
Unobligated balance.....	4,039	---	---	---
Total appropriation.....	1,112,302	1,138,302	1,136,090	-2,212

## INCREASES OR DECREASES

The reduction of \$2,212 in this item for 1941 consists of:

(1) A decrease of \$4,000 in the allotment for "Market news service on livestock, meats and wool," which will be met by reducing field personnel, by restricting the number of part-time employees, and by some curtailment in the dissemination of market information.

(2) A decrease of \$4,302 in the allotment for "Market news service on fruits and vegetables." This decrease will be met by reducing field personnel, by restricting the number of part-time employees, and by some curtailment in the dissemination of market information.

(3) \$6,090 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941





## WORK UNDER THIS APPROPRIATION

General.--The market news service provided for under this appropriation has become, over a period of 25 years, an indispensable part of the national marketing system for agricultural products. The service complements the nationwide crop and livestock reporting system by providing day-to-day information on supply and demand conditions and prices at important receiving and distributing markets throughout the country. The market reports provided for by this appropriation have assumed their present importance because of their proven reliability and the regularity of issue. For the dissemination of the information collected, a system of 7,500 miles of leased telegraph wire is maintained, by which interchange of information is facilitated between important cities, markets, shipping points, and important producing areas.

The information is further disseminated by radio, telephone, press, and mail. Since timeliness is of major importance, the radio dissemination is of great assistance. Approximately 350 radio stations use the information daily. Some of these stations give as many as five periods a day to the market news reports in order to serve the farming areas they reach. Such extensive distribution of current market information has reduced the disadvantage of the individual producer and the small shipper who are in competition with the stronger commercial organizations better capable of obtaining information for themselves through far-flung trade connections. Information as to supplies going to market, supplies on the principal markets, and prices paid when it is made available to producers and shippers in time to be of use to them helps to promote orderly marketing. It tends to facilitate and equalize distribution, discourages the dissemination of fictitious and misleading market information by unscrupulous persons, and aids economic research looking toward improved marketing methods. The recording of day-to-day happenings in permanent form provides a continuous story for use by marketing specialists and economists in making studies and analyses of production, demand, prices, and distribution.

1. Market News Service on Livestock, Meats, and Wool.--The purpose of this project is to supply livestock producers, shippers, processors, dealers, and consumers current information on the supply, demand, movement, and price situation in the principal livestock, meat, and wool marketing centers. Market conditions and prices are reported covering 29 public livestock markets. Reports are made on the marketings of hogs at 10 packing plants and 20 concentration yards located in Iowa and southern Minnesota; also at 8 packing plants in Alabama, Georgia, and Florida; as well as on cooperative sales and several auction markets in that area. The contract and direct marketing of sheep and lambs in the western range and Pacific Coast States is covered also. Current reports are made on market conditions and prices at five of the largest wholesale meat marketing centers and on the Boston wool market. The information is distributed by the leased wire, by radio, press associations, commercial telegraph companies, newspapers, trade and agricultural publications, boards of trade, telephone, bulletin boards, and by mail. In addition, information is furnished several State departments for dissemination by radio and otherwise. All market reports are based upon standardized market classes and grades for each of the commodities.



During the past year service extensions and improvements included the inauguration of livestock market reports covering the southern Georgia, Alabama, and Florida area and embracing certain auction markets and co-operative sales. Offices were opened to report the public livestock markets at Montgomery, Ala., and Houston, Tex. An important addition to the reports inaugurated for the fiscal year 1940 was the issuance of weekly reports of cattle slaughtered under Federal inspection, embracing, by species, approximately 70 to 80 percent of such livestock, and the opening of a new office for reporting the Peoria, Ill., livestock market. Plans were made for the collection and dissemination of monthly reports disclosing the movement of stocker and feeder cattle and sheep into eight important Corn Belt feeding States.

Although extensive distribution of official market information released through commercial agencies had previously been effected, further progress was made in this direction during the past year. This was accomplished largely by a marked increase in the space devoted by news and trade publications, by a further gain in the number of radio stations broadcasting these reports, and by cooperation of many trade agencies in supplying the paper and maintaining their own mailing lists for the distribution of many thousands of the mimeographed releases. Other news-disseminating agencies, such as the press associations, the commercial news dispatch services maintained by the commercial telegraph companies, ticker services, and financial institutions, also moderately increased their distribution of the information.

Branch offices are maintained at Baltimore, Md.; Boston, Mass.; Buffalo, N. Y.; Casper, Wyo.; Chicago, Ill.; Cincinnati, Ohio; Denver, Colo.; Des Moines, Ia.; Fort Worth and Houston, Tex.; Indianapolis, Ind.; Kansas City, Mo.; Los Angeles, Calif.; Louisville, Ky.; Nashville, Tenn.; National Stockyards, Ill.; New York, N. Y.; Ogden, Utah; Oklahoma City, Okla.; Omaha, Nebr.; Philadelphia and Pittsburgh, Pa.; Portland, Oreg.; So. St. Joseph, Mo.; So. St. Paul, Minn.; San Antonio, Tex.; San Francisco, Calif.; Sioux City, Iowa; Thomasville, Ga.; Montgomery, Ala.; and Wichita, Kans.

2. Market News Service on Fruits and Vegetables.--The market news reports issued under this appropriation constitute the only comprehensive information farmers have to keep them advised of day-to-day changes in the important receiving and distributing markets for fresh fruits and vegetables. The value of these reports to farmers, distributors and consumers has been firmly established over nearly 25 years. The reports issued daily contain information showing carload shipments, receipts, supplies on hand, prices paid, and market conditions for 47 commodities. Branch offices are maintained in 21 of the largest markets, and temporary offices operated for periods of from one to nine months in 46 of the principal producing sections of the country.

The information collected is distributed by mail, telephone, telegraph, radio, and newspapers to growers and distributors of fruits and vegetables in all parts of the country. As an aid to the more orderly distribution of these highly perishable commodities, one of the most important features in these reports is the record of daily shipments from producing sections and





receipts and supplies on hand in the principal markets. For years the Department has had the cooperation of the railroads and steamship and express companies in reporting the number of carloads shipped each day and the number arriving and on hand in the principal markets. The rail, express, and boat movement of these commodities still aggregate more than 845,000 carloads annually, and while these figures are still valuable, they no longer adequately represent the day-to-day market situation because of the increasing quantities of these products now moving by motor truck.

The flexibility of motor truck transportation has created a new set of problems for the market reporter. The lack of adequate reports of market supplies moving by motor truck is the dark spot in the daily reports now issued on these commodities by the Department. According to the best available estimates, from 40 to 45 percent of the fresh fruits and vegetables are now transported to market by motor trucks. As truck transportation is not organized or consolidated into large companies such as the railroads, it is more difficult to arrange for the regular reporting of the volume so transported. In order, therefore, to obtain reliable information as to the quantities arriving at the principal markets by motor truck, it is necessary to station men in the markets and obtain the information through daily contact with the truck operators.

Branch offices are maintained at Atlanta, Ga.; Baltimore, Md.; Boston, Mass.; Chicago, Ill.; Cincinnati, Ohio; Cleveland, Ohio; Denver, Colo.; Detroit, Mich.; Fort Worth, Texas; Kansas City, Mo.; Los Angeles, Calif.; Minneapolis, Minn.; New York, N. Y.; New Orleans, La.; Oklahoma City, Okla.; Philadelphia, Pa.; Pittsburgh, Pa.; Portland, Oreg.; St. Louis, Mo.; San Francisco, Calif.; Seattle, Wash.

3. Market News Service on Dairy and Poultry Products.--Current information is furnished to producers, processors, distributors, and consumers with respect to the supply, demand, and price for various dairy and poultry products, chiefly butter, cheese, eggs, and live and dressed poultry. Offices are maintained in the principal large terminal markets where information is gathered relating to market conditions and prices. Information also is made available regarding receipts at country packing plants where eggs and poultry are handled, at egg auctions and at primary cheese warehouses in Wisconsin. Such information shows marketings and supplies available for trading and to some extent indicates current production, particularly of eggs.

Market reports are issued daily, weekly, and monthly in mimeographed form and distributed regularly to mailing lists. This information is given wide distribution by newspapers, trade journals, wire services, and by radio. The reports furnish the basis for trading in a large number of the markets and in addition the information collected makes it possible to study sources of supply for the individual markets, shifts from time to time due to changes in market requirements, direct buying, and adjustments in merchandising methods and outlets.

At the present time market news offices are maintained at New York, N. Y.; Chicago, Ill.; Philadelphia, Pa.; Boston, Mass.; San Francisco, and Los Angeles, Calif.; Seattle, Wash.; and Portland, Oreg. Reports are also



issued from Baltimore, Pittsburgh, Cleveland, Denver, and Richmond in co-operation with other market news offices.

4. Market News Service on Grain, Hay, Feed, Rice, and Hops.--The work under this project is designed to furnish growers, country dealers, and others with information relative to the market conditions and prices for grain, hay, feed, rice, beans, and hops. The information is collected at branch offices and disseminated throughout the producing areas. This project cooperated in distributing the pre-harvest wheat survey information undertaken in an experimental way during the past year. If the wheat survey work is continued in future years, it is expected that the grain market news service will play an increasingly important part in it.

The reports issued under this project are for the most part weekly reviews of the market situation. The information is disseminated by press and radio and through mimeographed releases to growers, dealers, and others.

Field offices are located at Atlanta, Ga.; Chicago, Ill.; Kansas City, Mo.; Los Angeles and San Francisco, Calif.; Minneapolis, Minn.; and Portland, Oreg.

5. Market News Service on Cottonseed.--A limited market reporting service on cottonseed was inaugurated in the fiscal year 1938. The object of the service is to furnish growers and others current information relative to the grades and grade values and local prices of cottonseed currently marketed in each grower's own county, together with information on the supply, demand, movement, and prices being paid for cottonseed of the basis grade. The service is coordinated with the grading service begun under the appropriation for "Market Inspection of Farm Products."

The cash farm income from cottonseed ranks second in most of the cotton-producing States. Cottonseed is the only unmortgaged source of income available to the majority of cotton growers. Cottonseed, however, generally has been bought on an "as is" basis at prices made on an undisclosed relation to an anticipated average quality of the seed sold, or in anticipation of changes in the market. Marketing on the basis of the United States standard cottonseed grades made a market news service for the industry possible. The use of the grades not only provides a common language between buyer and seller, but the reflection of the premiums and discounts for grade in the prices paid producers should encourage the use of superior planting seed and better harvesting and handling methods and thus further increase the cash farm value.

Beginning with the 1937-38 season, market news reports covering the Mississippi Valley States were issued from Memphis each Saturday. During the season of 1938-39 similar reports, covering the Southeastern States, were issued each Saturday from Atlanta. These reports were mailed to all those interested parties who applied for them. They were also published in all the leading newspapers in cotton producing areas.

6. Marketing Statistics.--The work under this project may be divided into three subdivisions as follows:





(1) To obtain daily, weekly, and monthly records of shipments and receipts from common carriers of agricultural products for use in the News Service of the Agricultural Marketing Service and for checking forecasts and estimates of production. The reports are received by telegraph, telephone, and mail. Some are collected through the various Market News Service offices and others are received direct at Washington. The monthly reports on shipments by stations are received direct from station agents and tabulated in Washington.

(2) To obtain and publish data on production, prices, sales, available supplies, and other information on dairy and poultry products that would be helpful to producers, distributors, and consumers in intelligently directing their production, sales, and purchases of these products, and to establish a series of data that could be used in analyzing specific problems of the dairy and poultry industries. The data are compiled entirely from mailed questionnaires. These questionnaires are handled in part by the Washington office and in part by the Field offices, in cooperation with State agencies dealing directly with these industries. Data collected under this latter arrangement come under complete enumerations for which the State agencies possess the legal authority to compel the reporting of the data required and which authority this office lacks. The schedules are mailed by either the Washington or Field office, but returned to the State agency, a member of which has been designated as Federal Collaborator, without compensation, for that purpose. The reports are then turned over to the Field office or forwarded to Washington for editing, tabulating, and summarizing.

(3) Appraisal of seed stocks is important in formulating agricultural programs. Sales data are excellent indicators of consumption and of changes in demand for various seeds. Movement data indicate where demand has been active or inactive and the percentage of seed crop to be marketed. All data are obtained by means of schedules sent to country shippers and retail dealers. The lists of shippers are classified according to the kinds of seed purchased and shipped and schedules are sent only for those seeds customarily handled.



## (h) PERISHABLE AGRICULTURAL COMMODITIES AND PRODUCE AGENCY ACTS

Appropriation Act, 1940 .....	155,000
Budget Estimate, 1941 .....	<u>153,130</u>
Decrease .....	<u>- 1,870</u>

## PROJECT STATEMENT

	1939	1940 (Estimated)	1941 (Estimated)	Increase or decrease
1. Perishable Agricultural Commodities and Produce Agency Acts.....	\$149,491	\$155,000	\$152,000	-\$3,000 (1)
2. Additional for adminis- trative promotions.....	---	---	1,130	+1,130 (2)
Unobligated balance.....	137	---	---	---
Total appropriation.....	149,628	155,000	153,130	-1,870

## INCREASE OR DECREASE

There is a reduction of \$1,870 in this item for 1941 consisting of:

(1) A decrease of \$3,000, which will be met by curtailment of investigational work and by limiting the number of hearings on complaints.

(2) \$1,130 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941.

## WORK UNDER THIS APPROPRIATION

General.--This appropriation provides for the administration of the Perishable Agricultural Commodities and the Produce Agency Acts. Both laws are regulatory measures designed to prohibit certain unfair and fraudulent practices which had become prevalent in the fruit and vegetable industry and caused serious losses. It is unlawful for commission merchants, dealers, and brokers handling fresh fruits and vegetables in interstate commerce to fail truly and correctly to account for such products received on consignment or purchased; to make false and misleading statements for a fraudulent purpose regarding the quality, condition, or disposition of such products; to fail to deliver in accordance with the terms of the contract, or to reject purchases without reasonable cause. The Acts are administered under one project as follows:

(1) Perishable Agricultural Commodities and Produce Agency Acts.--Under the Perishable Agricultural Commodities Act each commission merchant, dealer, and broker who handles fresh fruits and vegetables in interstate or



foreign commerce is required to secure a license from the Department, which is subject to suspension or revocation for violation of the law if the licensee engages in certain specified unfair and fraudulent practices. The license fee is \$10 per annum. The receipts from license fees usually exceed the expenditures made for this work, and for the fiscal year 1939 these receipts exceeded the total expenditures by approximately \$65,000. Licenses were issued to 19,955 produce dealers during the year. Under the Act the Secretary of Agriculture is authorized to accept complaints from persons seeking damages because of violation of the law, and to issue reparation awards if the Act is found to have been violated and damages sustained. If a reparation award is not paid or an appeal taken to a U.S. District Court within thirty days from the date thereof, the licensee's license is automatically suspended.

The important part which this method of regulation has played in suppressing unfair and fraudulent practices in the produce trade of the United States is shown by the following facts. More than 21,000 complaints have been filed under the Act, of which more than 20,300 have been settled. The Secretary has rendered decisions in 2,344 cases and has issued reparation awards amounting to more than \$816,710. Since further amendment of the law in 1934, the Department has assisted in arranging amicable settlements of disputes between buyers and sellers in cases involving more than \$1,242,795. Up to the end of the last fiscal year the licenses of 62 dealers had been revoked and the licenses of 78 firms were suspended for periods of from ten to ninety days. In addition, the licenses of 191 dealers have been automatically suspended under the Act for failure to pay reparation awards issued by the Secretary.

During the fiscal year 1939, 2,396 complaints were received, of which 819 amicable settlements were arranged and 325 orders were issued by the Secretary. The formal orders involved the payment of \$101,759.36 in damages and the amicable settlements brought about the payment of \$276,023.25 to aggrieved parties throughout the year.

The purpose of the Produce Agency Act is to prevent fraudulent accounting for fruits, vegetables, and other perishable farm products received in interstate commerce to be sold on consignment, or the dumping of such produce without sufficient cause. Punishment is by fine or imprisonment, or both. Since its enactment in March 1927, 1,824 complaints have been filed; 1,046 have required personal investigation; 1,390 have been dismissed; and convictions have been obtained in 106 cases. During the past fiscal year 43 complaints were filed and 24 investigated.

The decrease in number of complaints and convictions is explained by the fact that most complaints are handled under the Perishable Agricultural Commodities Act, leaving for action under the Produce Agency Act only those involving fruit or vegetable consignments more than nine months preceding the filing of the complaint, the more flagrant recent consignment cases, and consignments of dairy and poultry products.





## (e) STANDARD CONTAINER ACTS

Appropriation Act, 1940 .....	\$20,000
Budget Estimate, 1941 .....	<u>20,360</u>
Increase .....	<u>360</u>

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase
1. Standard Container Acts.....	\$20,237	\$20,000	\$20,000	
2. Additional for administrative promotions.....		---	360	+\$360 (1)
Unobligated balance.....	1,763	---	---	---
Total appropriation.....	22,000	20,000	20,360	+360

## INCREASE

(1) \$360 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941.

## WORK UNDER THIS APPROPRIATION

General.--The Standard Container Acts of 1916 and 1928, which are administered under this appropriation, provide for the standardization of sizes and capacities of baskets and hampers used in the marketing of fruits and vegetables. The objectives of the Acts are (1) to afford protection to buyers and consumers by outlawing short-measure containers; (2) to reduce manufacturing costs in the industry by eliminating numerous odd sizes and shapes; (3) to permit a more accurate and definite basis for market quotations by providing for standard units of sale; and (4) to eliminate the unfair competition confronting growers and shippers using full capacity containers from those using deceptive or short-weight containers. The need for these laws and their value to growers and consumers and to the fruit and vegetable industry generally has been shown in the correction of conditions arising out of the wide use of a multiplicity of commercial containers of varied sizes, shapes, capacities, and types, many of which were clearly deceptive. The administration of the legislation has resulted in reducing the number of sizes of berry boxes from 18 to 3, till baskets from 30 to 5, climax baskets from 31 to 4, hampers from 42 to 9, splint baskets from 25 to 6, and round stave baskets from 20 to 9. The Acts are administered under one project as follows:

1. Standard Container Acts.--The provisions of these Acts are enforced through inspectors who check the measurements of the containers at the factories, and by the submission of samples of containers on the part of the manufacturers to the Washington office for testing. The scope of this work is better understood when it is realized that there are 360 manu-



facturers of the containers subject to these Acts which are located in 33 States and which produce approximately 850,000,000 containers annually, consisting of about 1,800 different types. During the past year the inspections made at 287 factories covering 1,054 items showed that 183 types of containers were being manufactured which failed to comply with the legal requirements, and 93 manufacturers violated one or both Acts. In enforcing these laws emphasis is placed on cooperation with the manufacturers in order to prevent violations of the law rather than to wait until the law is violated and then initiate prosecutions. This policy has borne good fruit as shown by the fact that disciplinary measures were necessary in only four instances. In one case approximately 1,300 hampers were destroyed by the manufacturer, and in another case about 78,000 round stave baskets were withdrawn from the trade.

Aside from these regulatory activities information relating to the subject of containers is made available to manufacturers and the fruit and vegetable industry. In 1939 a printed publication, Farmers' Bulletin No. 1821, dealing with the general subject of types of containers was issued. Interest in this publication has been so large as to exhaust the original supply in a short time. A mimeographed report was also issued during the year regarding the multiplicity of crates, cartons, and boxes now in general use but which are not subject to regulation.

(j) COTTON QUALITY STATISTICS AND CLASSING ACTS

Appropriation Act, 1940 .....	\$475,000
Budget Estimate, 1941 .....	<u>465,000</u>
Decrease .....	<u>10,000</u>

PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Decrease
1. Cotton grade and staple statistics.....	\$213,517	\$224,517	\$219,517	-\$5,000 (1)
2. Classification and information service in communities organized for cotton quality improvement.....	194,482	250,483	245,483	-5,000 (2)
Unobligated balance.....	22,001	---	---	---
Total appropriation.....	430,000	475,000	465,000	-10,000

DECREASES

The decrease of \$10,000 under this item for 1941 consists of:

(1) \$5,000 for "Cotton grade and staple statistics"; this decrease to be effected by reducing field personnel and travel.



(2) A \$5,000 for "Classification service in communities organized for cotton quality improvement"; this reduction will be met by reducing expenditures for this work.

#### WORK UNDER THIS APPROPRIATION

General.--The purpose of this appropriation is to enable the Agricultural Marketing Service to estimate the grade, staple, and tenderability of cotton on hand the first of August and to issue similar reports periodically during the ginning season on the current crop as provided for in the Act of March 3, 1927. The Act, as amended on April 13, 1937, authorized the Department to provide market news and to class cotton upon request from groups of farmers organized to promote the improvement of their cotton. The work is carried on under the following projects:

1. Cotton Grade and Staple Statistics.--A report is released each year on the quality of cotton on hand the 1st of August and periodically during the season on the quality of cotton ginned in each State and in the several districts into which the principal cotton-producing States have been divided for statistical purposes.

Improvements in the cotton produced and the increased use made of the quality reports have made it necessary to exercise more care in assembling data in order to insure dependable reports on all ginnings and on the quality of the stocks on hand at the end of the season. Reports that have been issued on the quality of cotton that has been ginned in the various States and districts have indicated areas in which improvements have been made and areas in which improvements might be undertaken. Since inaugurating these reports the average staple length of American upland cotton has increased  $1/32$  inch and the proportion of cotton untenderable on account of staple length has decreased from 20 percent in 1929 to 4 percent in 1939. Responding to the desires of the trade and producers for current information on the quality of the crop, reports on the quality of the cotton are now being released twice a month during the height of the ginning season and on the same date the Bureau of the Census releases reports on the number of bales ginned.

2. Classification and Information Service in Communities Organized for Cotton Quality Improvement.--An Act approved April 13, 1937 (7 U.S.C. 473a-473c), amended the original Act so as to authorize the Secretary of Agriculture to provide for the classification of cotton for farmers and to furnish information on market supply, demand, location, condition, and market prices for cotton.

This work is a part of a quality improvement program being fostered by Federal, State, and other agencies. It is part of an effort to make it worth while for growers individually to improve the quality of their cotton and to cooperate with each other in improvement efforts. Furnishing classing and quotations services to growers who are improving the quality of the cotton they produce by participating in "one-variety" community organizations should definitely help in this direction.

Branch offices are maintained in Atlanta, Ga.; Austin, Dallas, and El Paso, Texas; and Memphis, Tenn., with substations at Bakersfield, Calif.; Jackson, Miss.; Little Rock, Ark.; Columbia, S. C.; Raleigh, N. C.; Lubbock, Texas; and Altus, Okla.





## (k) U. S. COTTON FUTURES AND U. S. COTTON STANDARDS ACTS

Appropriation Act, 1940 .....	\$495,000
Budget Estimate, 1941 .....	492,060
Decrease .....	<u>2,940</u>

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase or decrease
1. Cotton futures and spot market investigations and cotton price quotations .....	\$58,642	\$61,920	\$61,920	--
2. Preparation and distribution of official cotton standards....	120,088	120,186	120,186	--
3. Classing spot cotton, licensing classers for spot cotton and purchase of cotton for preparation of standards .....	70,541	80,000	80,000	--
4. Supervision of the work of licensed classers of spot cotton	89,182	91,969	91,969	--
5. Classification of cotton for delivery under the cotton futures Act .....	125,538	140,925	135,925	-\$5,000(1)
6. Additional for administrative promotions .....	--	--	2,060	+2,060(2)
Unobligated balance .....	27,909	--	--	--
Total appropriation .....	491,900	495,000	492,060	-2,940

## INCREASE OR DECREASE

The decrease of \$2,940 in this item for 1941 consists of:

(1) A decrease of \$5,000 for "Classification of cotton for delivery under the cotton futures Act". This curtailment will be effected by reducing temporary personnel and field travel.

(2) \$2,060 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941.

## CHANGE IN LANGUAGE

The estimates contemplate that the language of this paragraph be amended to read as follows:

United States Cotton Futures and United States Cotton Standards Acts: To enable the Secretary of Agriculture to [carry into effect the provisions of] perform the duties imposed upon him by the United States Cotton Futures Act, as amended March 4, 1919



(26 U. S. C. 1010-1106), and to carry into effect the provisions of the United States Cotton Standards Act, approved March 4, 1923 (7 U. S. C. 51-65), \*\*\*

#### WORK UNDER THIS APPROPRIATION

General.--The Cotton Futures Act provides for the establishment by the Secretary of Agriculture of standards for the qualities of cotton; the classing of all cotton offered for delivery in settlement of futures contracts; supervision of the quotations of commercial differences in spot markets designated under the Act; and dissemination of information as to market prices and conditions. This Act was approved August 11, 1916, and has been amended from time to time.

The Cotton Standards Act requires the use of the official cotton standards in all interstate and foreign commerce transactions involving American cotton shipped according to standard descriptions. It gives owners or holders of cotton the privilege of submitting such cotton or samples thereof to representatives of the Department for classing and authorizes the Secretary to examine and license cotton classers. In the administration of the legislation agreements have been negotiated with the principal foreign cotton-trade associations providing for the world-wide use of the cotton standards. This Act was approved March 4, 1923.

The following statement indicates progress of the work:

	Fiscal year, 1936	Fiscal year, 1937	Fiscal year, 1938	Fiscal year, 1939
Classification of cotton under the Cotton Standards Act (bales) .....	97,473	648,935	691,831	470,933
Number of licenses issued to classers .....	475	301	464	2,248
Number of bales classed by licensed classers .....	4,349,121	4,522,659	6,141,359	10,597,943
Number of boxes of cotton standards distributed ...	4,923	2,666	3,052	4,407
Number of staple types distributed .....	7,325	7,994	8,750	9,761
Classification of cotton under the cotton futures Act (original classification-bales) .....	59,528	164,355	183,481	37,116
Review classification (bales) .....	15,327	45,943	29,912	45,054

The Cotton Futures Act and the Cotton Standards Act are administered under the following projects:

1. Cotton futures and spot market investigations and cotton price quotations.--Prices on grades of cotton above and below Middling and on staples longer than 7/8-inch as quoted in ten principal spot markets of the United States



designated for the purpose by the Secretary of Agriculture are required, under the U. S. Cotton Futures Act, to be used in the settlement of futures contracts whenever settlement is effected by delivery of cotton. It is essential to the proper functioning of the cotton futures markets that the price quotations of the designated spot markets shall reflect values of spot cotton of various grades and staples as indicated by actual sales and other available market information. Active supervision of quotations in the spot markets, therefore is required. Information is disseminated widely among producers and others concerning the value of cotton of the different qualities.

The Cotton Belt has been divided for the purposes of the cotton market news and quotations service into three districts, with headquarters at Atlanta, Ga.; Memphis, Tenn.; and Dallas, Texas. A weekly cotton review based on information secured from field offices and other sources is prepared at Washington and telegraphed to the field offices. In each of the district offices a review of district market news is prepared and incorporated with the review from Washington and mailed promptly to producers and others including news organs and broadcasting stations. In addition to the review, there is prepared at each of the three field offices a premium staple cotton report which covers the prevailing premiums and discounts for cotton above and below 7/8-inch. There is also prepared in Atlanta a daily report giving the Middling 7/8-inch quotation in the ten designated markets, as well as grade and staples premiums prevailing in such markets. The work has been supplemented and strengthened by the activities under the new Cotton Quality Statistics and Classing Acts.

2. Preparation and distribution of official cotton standards.-- The official standards are prepared and promulgated under the authority of both Acts. Copies of the standards are sold to the public in America and in foreign countries. Inasmuch as the law makes the use of these standards mandatory in interstate and foreign commerce transactions based upon standard descriptions, and prohibits the duplicating of the standards or the use of private types in evasion of or substitution for the standards, domestic and world commerce in American cotton is made dependent upon the prompt and proper performance of this work. There has been a steadily increasing demand for copies of the grade boxes and staple length types.

The last meeting under the International Universal Cotton Standards Agreements convened in Washington in March, 1939. These meetings, which are attended by representatives of the nine principal cotton organizations of Europe and three of Japan, as well as by representatives of various American organizations, are regularly held for the purpose of approving copies of the Universal Grade Standards for use by the Department and by the Associations that are parties to the Universal Standards Agreements.

3. Classing spot cotton, licensing classers for spot cotton, and purchase of cotton for the preparation of standards.-- Under the Cotton Standards Act any person who has a financial interest in any cotton may submit samples of the same to the Department for classification, and the various boards of cotton examiners are authorized to perform this service in addition to classification under the Cotton Futures Act. From time to time large quantities of cotton are classed for the public and for various governmental agencies. Under this project classers are also examined and licensed to classify cotton.





4. Supervision of the work of licensed classers of spot cotton.-- The classing of spot cotton in the field is supervised by the Board of Supervising Cotton Examiners, with headquarters at Memphis, Tenn., and local supervisors are stationed at Oklahoma City, Okla.; Dallas, Bryan, and Abilene, Texas, Memphis, Tenn.; Montgomery, Ala.; Columbia, S. C.; Jackson, Miss.; and New Orleans, La. This work involves the supervision of licensed cotton classers, who number more than 2,200 and are stationed throughout the South. The cooperative cotton marketing associations rely upon the licensed classers and upon the supervision of their work in establishing the classification upon which settlements with their members are based, and the services of such licensees are widely used by members of the cotton industry generally. In checking the work of the licensed classers the Bureau's supervisors classed more than 473,000 bales during the past year.

5. Classification of cotton for delivery under the cotton futures Act.-- An amendment to the Cotton Futures Act dated March 4, 1919, provides that all cotton intended for delivery on futures contracts shall be classified by officers of the Department of Agriculture. Boards of Cotton Examiners are maintained in New Orleans, Houston, Galveston, Charleston, Savannah, and Mobile and an appeal board in Washington. These boards are the final judges of the quality of all cotton offered for delivery on futures contracts.

#### (1) U. S. GRAIN STANDARDS ACT

Appropriation Act, 1940 .....	\$723,941
Budget Estimate, 1941 .....	729,511
Increase	<u>5,570</u>

#### PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase
1. Administration of the United States Grain Standards Act....	\$716,239	\$723,941	\$723,941	--
2. Additional for administrative promotions .....	--	--	5,570	+\$5,570 (1)
Unobligated balance .....	7,702	--	--	--
Total appropriation .....	723,941	723,941	729,511	+5,570

#### INCREASE

(1) \$5,570 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941.

#### WORK UNDER THIS APPROPRIATION

The purpose of this appropriation is to provide for the administration of the provisions of the Grain Standards Act, approved August 11, 1916. This statute established a national grain inspection service. It provides for the promulgation of Federal standards, the use of which is compulsory in certain



circumstances; the licensing of inspectors to apply the standards; the supervision of their activities and the handling of appeals upon application of interested parties, and the administration of certain regulatory provisions designed to prevent fraud and misrepresentation in grain merchandising.

The Grain Standards Act is primarily a service statute. Aside from the mandatory requirements for the use of the Federal standards, they have been generally adopted and are in use throughout the country in cash and futures trading, warehousing, transportation, financing, price quotations, and export trade. They form a basic, integral part of the marketing of the nation's grain crops, from the producer through the various channels of trade to the consumer or processor. Price structure in the grain industry is sensitive. The assignment of a grade to a lot of grain virtually fixes its price. The task is a difficult one in that much depends upon the exercise of human judgment, and the industry as a whole must have confidence in the national inspection service. A lack of confidence gave rise to the passage of the law in 1916.

The part which the Federal Government takes in the program, is, first, to fix an equitable set of standards. This has been done for corn, wheat, oats, rye, barley, grain sorghums, flaxseed, Feed Oats, Mixed Feed Oats, and Mixed Grain. These standards must take into account the conditions of production under which the grower labors, must reflect the intrinsic value of the commodity, and at the same time be practical of commercial application.

The application of the standards is in the first instance committed to licensed inspectors who are not Federal employees. There are 400 such licensees, together with their sampler assistants, performing inspection service at 172 points throughout the country. During the past year they performed a total of 1-1/3 million official inspections representing a total of 2-1/4 billion bushels of grain. The work of these licensees is supervised by a Federal force known as Federal Grain Supervision. This Federal organization maintained field offices at 43 of the most important grain markets in the country and, in addition, two offices of field headquarters, one at Chicago and the other at Portland, Oregon. It is the task of Federal Grain Supervision to see to it that the official standards are correctly and uniformly applied by all inspectors at all markets throughout the country. This undertaking embraces such items as the development and maintenance of proper inspection equipment, the interpretation of the standards by the Boards of Review for the benefit of district supervisors as well as licensed inspectors, the preparation of samples which portray the various grading factors which are interpretative in character, the sampling at random of inspected lots of grain in order to check the performance of the licensees, and the handling of appeals on behalf of the Secretary of Agriculture from inspections performed by licensees. During the past year some 200,000 inspections were supervised by Federal Grain Supervision, and 56,000 appeals in controversial grading cases were entertained and decided on behalf of the Secretary of Agriculture. Constant vigilance is required in connection with this supervision work to the end that departures from the proper application of the standards may not occur with resulting market situations.

The law is mandatory in character, its requirements have been imposed upon producers, dealers and shippers, and they in turn expect the Department



so to conduct its administration of this law that the hazards and losses incident to inspections performed at the various markets shall be reduced to a minimum. This is likewise so in connection with the regulatory provisions designed to prevent fraud and misrepresentation. The trade itself is highly competitive, and any unfair advantage or unethical conduct on the part of individuals or companies is in regular course laid at the door of the Department for adjustment.

Aside from the primary task of fixing the standards, preparing amendments to them to keep pace with the evolutions in the trade, and the supervision of inspection and appeal work, this organization is called upon for substantial cooperation and assistance from other branches of the Government engaged in carrying forward the broader agricultural programs. Statistical material gathered in the course of our regular work is made available to other branches of the Government through the medium of publications, press releases regarding the quality of the crops, and to producers' organizations and crop-improvement associations interested primarily in improved production and marketing practices.

(m) U. S. WAREHOUSE ACT

Appropriation Act, 1940.....	\$400,000
Third Deficiency Act, 1939	
for fiscal year 1940.....	17,500
Total available, 1940.....	417,500
Budget Estimate, 1941.....	451,000
Increase.....	<u>33,500</u>

PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increases
1. Inspection and licensing of Warehouses and enforcement activities under the Act.....	\$384,594	\$417,500	\$450,000	+\$32,500 (1)
2. Additional for Adminis- trative promotions.....	--	--	1,000	+1,000 (2)
Unobligated balance.....	7,106	--	--	--
Total appropriation.....	391,700	(a) 417,500	451,000	+\$33,500

(a) Includes \$17,500 carried in the Third Deficiency Act of 1939.

INCREASES

The increase of \$33,500 in this item for 1941 consists of:

(1) An increase of \$32,500 to meet the greatly increased demand for inspection and licensing of warehouses, especially for grain, cotton and wool.

The licensing of cotton warehouses during the present year increased about 38 percent. An increase of approximately 38 percent also took place in





connection with the licensing of grain warehouses and an increase of better than 50 percent in the licensing of wool warehouses. Urgent demand for increased licensing of storage facilities for the handling of grain, cotton, and wool continues. In addition, demands are made on the Department to place other commodities on the eligible list for storage under this Act. Sugar producers and refiners have recommended that both raw and refined sugar should be storable under this Act.

These demands cannot be met with the funds now available. During the current year it was necessary to refuse applications for licenses for grain storage after the middle of August and for cotton warehouses at the close of September.

The Agricultural Adjustment Act of 1938 carried the following provision:

"Sec. 302(a) The Commodity Credit Corporation is authorized, upon recommendation of the Secretary and with the approval of the President, to make available loans on agricultural commodities (including dairy products). Except as otherwise provided in this section, the amount, terms, and conditions of such loans shall be fixed by the Secretary, subject to the approval of the Corporation and the President."

In view of the additional responsibility placed upon this Department by the foregoing provision, a Departmental committee was appointed to consider physical problems related to the storage of farm products, including warehousing practices and other factors entering into the making of sound warehouse collateral. After several weeks of study the Committee unanimously recommended that wheat, corn, cotton, rice, and tobacco in the Ever Normal Granary Program be stored in structures licensed under the Federal Warehouse Act.

The United States Warehouse Act was intended by Congress to encourage the storage of farm products as a means of assisting farmers in the more orderly marketing of their products, to open new sources of credit to producers and their marketing organizations, and to provide protection against losses in storage. The Federal warehouse receipt is becoming more and more recognized, both by private and public lending agencies, as prime collateral for agricultural loans. Thus the safeguards afforded by this Act encourage the extension and greater use of commercial credit. As most of the loans by the Government are on terms somewhat more favorable to the borrower, and as Congress has specifically legislated in the field of warehousing with a view to promoting the interests of producers, it is felt that as soon as practicable the terms and conditions relating to storage of products upon which loans shall be made under the Agricultural Adjustment Act of 1938 should conform to the provisions of the Federal Warehouse Act.

The Crop Insurance Corporation, which is authorized by Title 5 of the Agricultural Adjustment Act of 1938, has deemed it advisable wherever possible to require wheat tendered in payment of insurance premiums to be stored in Federally licensed warehouses. The corporation feels that this is essential so that it may be assured that when it needs this wheat for payment of losses it will have wheat of the required amount and kind. It prefers, where



possible, to carry this wheat in production areas. This throws a further substantial demand for service under the Warehouse Act. The Federal Surplus Commodities Corporation also prefers to carry its stocks of grain and other surplus commodities that are eligible for storage under the Warehouse Act in Federally licensed warehouses. Since it handles large quantities of grain, this makes for heavy demands for service under the Warehouse Act.

(2) \$1,000 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941.

#### WORK UNDER THIS APPROPRIATION

The purpose of this appropriation is to provide for carrying out the provisions of the Act approved August 11, 1916, as amended, which provides for the licensing of warehouses for the storage of farm products and the supervision of the activities of licensed warehousemen.

The Act was passed in 1916 in response to demands for means by which agricultural commodities while in storage and awaiting marketing could be used as a form of collateral that would be readily acceptable to bankers and other lending agencies as security for loans. Notwithstanding State warehousing laws, Congress felt that there was need for Federal legislation. Loose and bad warehousing practices were not uncommon in many sections of the country to such an extent that warehouse receipts were not generally regarded as sound collateral. Losses of stored products were not uncommon and when they occurred the farmer or the banker usually had to stand the loss. Sometimes the guilty parties were punished and sometimes not but even if punished, placing warehousemen in jail did not pay bankers' loans or recoup farmers' losses. Even under the Federal Warehouse Act rigorous supervision and strict vigilance are essential. The record under the Federal Act has been exceptionally good and is resulting in the yearly demand for further service under this law. But even so, almost every year the Department finds cases where it is necessary to proceed legally against licensees by revoking licenses and sometimes by instituting criminal prosecution. During the last year one grain warehouseman who had wrongfully converted the products of depositors to his own use was prosecuted and was fined \$500 by the court. In another instance the recipient of warehouse receipts tampered with them in such a manner as to change the quantity and the grade of the products represented thereby. This person was prosecuted and required by the court to make restitution of over \$6,000 to the Surety Company which had paid the losses and to report back to the court at a later date for further sentencing. In another instance certain employees of a warehouseman conspired together to wrongfully convert stored products. The Department discovered these irregularities before they reached large proportions and promptly instituted prosecution, one party being sentenced to three years in the penitentiary and the others are still in process of prosecution. The Act is administered under one project, as follows:

Before a product is added to the list of commodities which may be stored in a licensed warehouse, investigational work is conducted to determine whether such product can properly be warehoused under the



Warehouse Act. Regulations are then prepared covering the conditions under which it may be stored. When an application is received for a license, investigations are made to ascertain whether the warehouse is a suitable structure and is equipped with the necessary facilities to handle the product properly, and whether the warehouseman is of good repute and has the proper financial responsibility, experience, etc. After the license is issued the warehouse is inspected regularly in order to make certain that the law and regulations are being complied with and that the interests of the patrons are being safeguarded.

Before a warehouseman is licensed, he must furnish adequate bond. After licensing, all warehouses are regularly inspected by the Department. This inspection covers not only the warehouseman's records, his warehouse receipt books and his operations but a careful check is made to see that stocks of sufficient quantity and grade which may legally be applied to outstanding warehouse receipts are in the warehouse. This results in protection to the farmers and other storers and in a warehouse receipt which is highly desired by financing agencies for collateral purposes. Before the Warehouse Act came into general use, the warehousing of farm products in many sections was attended with uncertainty, and warehouse receipts generally were not acceptable to financing agencies beyond the immediate community in which the warehouse was functioning. This did not permit the using of the financial resources in the metropolitan centers. Agricultural financing of products in the hands of the farmers, therefore, rested largely on how the local bankers regarded the owner of the crops. Confidence has been built into Federally licensed warehouse receipts through the Warehouse Act and a very substantial amount of financing of warehouse products both by private and Governmental Agencies is accomplished through these warehouse receipts. The work under this law has become a fundamental part of the marketing and credit machinery of the country.

With the Government loan operations of the past several years, particularly in cotton, corn, and wheat, stocks in warehouses have been accumulating. This results in warehousemen who have heretofore been licensed applying for the licensing of still more space and warehousemen who have not been licensed, recognizing the loan program as a continuing program, are applying for the licenses so as to afford Government loaning agencies the Federal warehouse receipt as collateral. This accumulation of stocks slows down the usual inspection service maintained under the Warehouse Act in that it is more difficult to check these stocks with certainty and the increased demand for more licensing adds still further to the need for more supervision.

The following table shows the tendency of increase in licensed warehouse capacities on fixed dates during the past three years. These capacities, however, do not represent the actual quantity of products handled through these licensed facilities since there is a quite rapid turnover of some products in some warehouses. Country grain warehouses for instance will handle many times their licensed capacities in the course of a year.







	Licensed capacity, June 30, 1937	Licensed capacity, June 30, 1938	Licensed capacity, June 30, 1939
Cotton (bales).....	6,248,262	6,536,767	8,961,516
Grain (bushels).....	72,586,900	131,186,870	179,874,220
Wool (pounds).....	13,448,420	36,798,420	55,213,420
Tobacco (pounds).....	184,366,000	164,481,000	170,211,000
Peanuts (tons).....	14,635	14,635	20,710
Broomcorn (bales).....	17,750	20,250	17,500
Beans (Cwt.).....	283,000	3,931,000	4,017,500
Sirup (gallons).....	26,000	55,000	298,440
Dried fruit (pounds).....	11,573,355	3,900,000	2,922,000
Cold-pack fruit (pounds)....	2,688,000	2,688,000	3,383,000
Canned food (cases).....	1,938,230	4,612,730	5,196,900
Seeds (cwt).....	375,700	500,914	503,251
Cherries in Brine (pounds)..	3,168,000	5,928,000	10,880,000

The increases shown above are a result of actual demands for service on the part of persons whom Congress sought to protect and benefit by the passage of the Warehouse Act. As more people avail themselves of this service, others who heretofore knew nothing about it learn of the service and they too make demand for it. The result is a progressive increase in demand from year to year and the demand continues over a greater period each year. This demand comes from Governmental financing agencies, private bankers, the producers of the crops themselves, growers' cooperative organizations, and merchandisers of agricultural products. To the extent that merchandisers and bankers can be aided and protected by this service correspondingly is the market price of agricultural products stabilized and the market improved.

#### (n) FEDERAL SEED ACT

Appropriation Act, 1940.....	\$52,293
Budget Estimate, 1941.....	94,072
Increase.....	<u>41,779</u>

#### PROJECT STATEMENT

PROJECTS	1939	1940 (Estimated)	1941 (Estimated)	Increases
1. Enforcement activities under the Federal Seed Act .....	\$51,821	\$52,043	\$93,622	+\$41,579 (1)
2. International seed testing congress, expenses to meet the share of the United States of the	250	250	250	--
3. Additional for administrative promotions.....	--	--	200	+200 (2)
Unobligated balance.....	222	--	--	--
Total appropriation.....	52,293	52,293	94,072	+41,779



## INCREASES

The increase of \$41,779 in this item for 1941 consists of:

(1) An increase of \$41,579 for "Enforcement activities under the Federal Seed Act". This increase is needed in order to carry into effect the Federal Seed Act approved August 9, 1939. This Act brings the interstate and foreign commerce in agricultural and vegetable seeds under effective regulation and control by the Department of Agriculture. While the former Federal Seed Act is repealed, the new Act includes all the provisions of the old and, in addition, expands the number of agricultural seeds subject to the Act by about one-third, adds regulations with respect to seed screenings, and brings the entire list of vegetable seed under its provisions. This Act makes it unlawful for seedsmen to sell in interstate commerce any agricultural or vegetable seed that is false or fraudulently labeled or to misrepresent seed offered for sale in interstate commerce. The passage of this Act more than doubles the responsibility of the Department in the field of seed regulation.

The administration of this law will require a considerable expansion in the laboratory facilities and attendant personnel both in the field and in the main laboratory in Washington. This will be necessary because of the large increase in the number of seed samples tested for the administration of the Act. In order to hold down the expense of administration and to carry out the provisions of the law effectively, the Department will cooperate with State seed regulatory agencies. By using these facilities it should not be necessary to establish Federal branch laboratories throughout the country nor to maintain a large force of Federal workers in the field. In order to operate effectively, however, it will be necessary to add some field men who will be in position to work with the State agencies in coordinating testing methods. These field officers will likewise act as representatives of the Department in the enforcement of the Act and make such inspections of seed firms' operations, records, etc., as may be required. It will be necessary to add field representatives and provide for travel funds to enable them to cover rather wide territory. Funds will likewise be needed to augment personnel in some of the cooperative laboratories and to provide additional equipment where the increase in work will exceed the present facilities.

(2) \$200 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941.

## CHANGES IN LANGUAGE

It is recommended that the language of this paragraph be amended to read as follows:

Federal Seed Act: [For testing commercial seeds, including the testing of samples of seeds of grasses, clover, or alfalfa, and lawn-grass seeds secured in the open market, and where such samples are found to be adulterated or misbranded the results of the tests shall be published, together with the names of the



persons by whom the seeds were offered for sale, and for carrying out the provisions of the Act approved August 24, 1912 (7 U. S. C 111-114), entitled "An Act to regulate foreign commerce by prohibiting the admission into the United States of certain adulterated grain and seeds unfit for seeding purposes", as amended by the Act approved April 26, 1926 (7 U. S. C. 111, 115, 116), \$52,293] To enable the Secretary of Agriculture to carry into effect the provisions of the Act entitled "An Act to regulate interstate and foreign commerce in seeds; to require labeling and to prevent misrepresentation of seeds in interstate commerce; to require certain standards with respect to certain imported seeds; and for other purposes", approved August 9, 1939 (53 Stat. 1275),

The Federal Seed Act, approved August 9, 1939, replaces the Act approved August 24, 1912, as amended by the Act approved April 26, 1926. The proposed change in language is for the purpose of substituting the title of the new Act for the language formerly used.

#### WORK UNDER THIS APPROPRIATION

General.-- The purpose of the work under this appropriation is to promote an orderly trade in seed, so the planter can purchase his seed supplies intelligently and avoid unwanted inferior or unadapted seed. This is accomplished by enforcing the provisions of the Federal Seed Act and by assisting farmers and seedsmen, with problems involving the testing and marketing of seed. This assistance is given by direct contact and through cooperation with official, commercial and cooperative agencies. The Act is administered by the following projects:

(1) Federal Seed Act enforcement.-- The import provisions of the Federal Seed Act control the quality of imported agricultural and vegetable seed, by prohibiting the importation of adulterated or misbranded seed, and seed that is unfit for seeding purposes due to low quality or presence of noxious weed seeds. Screenings of certain seeds are prohibited entry. Alfalfa and red clover seed is stained to show its origin and when it is generally unadapted.

Every lot of imported agricultural and vegetable seed is sampled by collectors of customs of the Treasury Department. The samples are tested by the seed laboratory of the Agricultural Marketing Service to determine if the seed meets the requirements of the Federal Seed Act. The coloring of imported alfalfa and red clover seed and the cleaning of seed to meet the requirements of the Act as well as destruction of refuse is supervised by this laboratory. The enforcement of the import provisions of the Federal Seed Act prevents the importation and subsequent planting by the farmer of large quantities of seed of low quality or seed contaminated with noxious weed seeds. The staining of imported alfalfa and red clover seed makes it possible for the farmer to distinguish between domestic and imported seed. The ability to make this distinction has led to a wide price differential between domestic and imported alfalfa and red clover seed.





The interstate provisions of the Act require seed in interstate commerce to be completely and correctly labeled. The movement of seed containing noxious weed seed is restricted. False advertising is prohibited. This provision of the Act will be administered in cooperation with the States. It protects the buyer of seed in interstate commerce from misrepresentation and protects honest seedsmen from the damaging effect of unfair competition. The quality of seed made available to the farmer is improved as a result of the enforcement of this provision of the Act.

Cooperative seed testing laboratories are maintained in Sacramento, California; Corvallis, Oregon; Lafayette, Indiana; and Columbia, Missouri to effect efficient administration of the Act.

Studies are made in cooperation with interested agencies to improve methods of testing seed and to develop methods of testing kinds of seed as they come into popularity and enter trade channels. These studies are essential to promote orderly trade in seeds and to effect proper administration of the Federal Seed Act.

2. International Seed Testing Congress, expenses to meet the share of the United States of the.-- Under this project participation in the work of the International Seed Testing Association on the part of the United States is authorized and \$250 annually is appropriated toward the expenses of the Association. The Seed Testing Association has set up international rules for testing seeds to insure uniformity, and through cooperative effort is endeavoring to improve these rules. It also deals with other problems relating to international trade in seeds.



## (o) PACKERS AND STOCKYARDS ACT

Appropriation Act, 1940 .....	\$381,879
Budget Estimate, 1941 .....	385,589
Increase .....	<u>3,710</u>

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase
1. Enforcement of the Packers and Stockyards Act .....	\$372,736	\$381,879	\$381,879	---
2. Additional for administrative promotions .....	---	---	3,710	+\$3,710 (1)
Unobligated balance .....	9,143	---	---	---
Total Appropriation	381,879	381,879	385,589	+ 3,710

## INCREASE

(1) \$3,710 additional is estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941.

## WORK UNDER THIS APPROPRIATION

As the result of complaints extending over many years by livestock producers and others of unsatisfactory conditions in the livestock markets and meat-packing industry, and demands for general supervisory authority over various phases of these activities by the Federal Government, Congress in 1921 passed the Packers and Stockyards Act. The Act imposes on the Secretary of Agriculture the duty of preventing and correcting irregularities and abuses on the part of persons engaged in the livestock and meat-packing industries. It prohibits unfair, unjustly discriminatory, and deceptive practices.

The duty is imposed upon the Secretary of determining whether rates and charges of stockyard companies and market agencies for services rendered at stockyards posted under the Act are just and reasonable, and he is given authority to set aside rates which are found to be unreasonable or discriminatory and to prescribe in lieu thereof rates which are just and reasonable.

By an amendment enacted in 1935 the scope of the Secretary's authority was extended to include persons dealing in and handling live poultry in interstate commerce in areas designated by the Secretary. As of June 30, 1939, 181 stockyards were posted as coming within the jurisdiction of the Secretary under the Packers and Stockyards Act, and 1,722 market agencies and 2,900 dealers were registered to operate at the posted stockyards. Eight markets serving sixteen cities were designated under the poultry amendment to the Act and approximately 2,000 persons were licensed to engage in the handling of



live poultry in interstate commerce in the designated areas.

Investigations are conducted throughout the country for the purpose of ascertaining those stockyards which come within the provisions of the Act. When such stockyards are found they are posted as required by the Act. Thereafter supervisors see to it that stockyard companies file and publish tariffs of rates and charges and that all market agencies and dealers engaged in business at such stockyards register and, if they incur financial obligations in the conduct of their business, execute and maintain suitable bonds as prescribed by the regulations to secure the performance of such obligations. Market agencies engaged in rendering stockyard services are required to file and publish tariffs, setting out their rates and charges. The Act requires stockyard companies, market agencies, and dealers to maintain accounts, records, and memoranda which fully and accurately disclose all of their transactions, and accountants are detailed from time to time to make examinations of such books and records for the purpose of determining whether they are being kept as required by the statute.

Supervisors are stationed at the principal markets with suitable staffs of assistants and accountants. Supervision is maintained generally over marketing practices and conditions. Complaints are investigated and audits are made of the books and records of stockyard companies, market agencies, and dealers in connection with complaints in order to determine matters of solvency and proper accounting for sale of livestock and, in those cases where the facts warrant, informal disposition of complaints is made. In other cases, where the facts indicate more serious types of violations, formal proceedings are instituted, resulting in orders requiring the offending parties either to cease and desist from the violations or in more flagrant cases suspending their registrations for specified periods. Complaints by producers, shippers of livestock, and others, alleging damages as the result of violations of the Act, are served as required by the statute and if the facts warrant hearings are held and awards of reparation made to the damaged parties.

Investigations are made of the reasonableness of the rates and charges of stockyard companies and market agencies. In the case of stockyard companies the investigation requires the valuation by a staff of engineers of the property and extensive audits of the books and records in order to determine the fair value of the property used in rendering the services and a fair rate of return thereon. In the case of livestock market agencies the investigation requires exhaustive analysis of the books and records of the agencies for the purpose of determining the reasonable costs of rendering the service and the rates prescribed are based upon such reasonable costs. The savings to producers and shippers resulting from formal orders or voluntary reductions accepted in lieu of formal orders in stockyard and commission rate cases are estimated to have exceeded two million dollars during the past fiscal year.

The Act was amended, effective August 14, 1935, by the addition of Title V relating to live-poultry dealers and handlers. The amendment states that the handling of live poultry in large centers of population is attendant with various unfair, deceptive, and fraudulent practices and devices resulting in losses to producers and in enhancing the cost to consumers. Such practices and devices are declared to be an undue restraint and unjust burden on inter-





state commerce. Investigations have been made of the handling and marketing of live poultry in a number of cities and the practices in the marketing of poultry in 8 markets serving 16 cities have been found to be such as to warrant designation. Investigations are made from time to time of other cities and places to determine whether they should be designated. At the close of the year in excess of 2,000 licenses had been issued to handlers of live poultry in the 8 designated markets. After a market is designated all persons handling live poultry in interstate commerce therein are required to be licensed. This is accomplished by the filing of an application containing certain required financial information. If the information submitted is not satisfactory hearings are held and if the applicant can not show that he is entitled to a license it is denied.

Various types of trade practices are investigated, including failure to account properly for live poultry sold, failure to pay for poultry, and unsatisfactory financial conditions. Hearings are held and if the facts warrant, the license is suspended or revoked. Hearings are also held regarding the reasonableness of the rates and charges of those licensees who are engaged in rendering services for which rates and charges are made and a number of orders have been issued prescribing reasonable rates for various types of services.

During the year important trade-practice dockets have resulted in orders suspending two market agencies for failure to honor drafts drawn by their agents and failure properly to apply tariffs filed with the Department. In another case a dealer was suspended for one year for falsifying scale tickets. Failure to obtain licenses by live-poultry handlers has resulted in the imposition of fines in Federal courts, in some instances as high as \$250 and \$500, which should have a salutary effect in the enforcement of the licensing provisions of Title V.

On July 1, 1938, 61 formal dockets were pending. During the fiscal year 1939, 78 new dockets were instituted and 2 were reopened. Final action was taken on 104 of these cases, and 37 were pending on June 30, 1939. Of the 78 new dockets instituted, 38 involved trade practices and reparation; 5 failure to maintain bonds; 16 insolvency; 16 applications for poultry licenses and 3 stockyard and poultry rate inquiries. Cease-and-desist and suspension orders were issued in 20 dockets; suspension orders in 2; reparation orders in 8; orders prescribing reasonable rates and charges in 5; orders granting licenses in 23; orders denying licenses in 7; orders revoking licenses in 11; orders of dismissal in 26; and miscellaneous orders in 2. 285 new market agencies and 250 dealers were registered and 24 new stockyards were posted during the fiscal year 1939.



(p) FARM PRODUCTS INSPECTIONS, AGRICULTURAL MARKETING SERVICE  
(Trust Account)

Project	1939	1940 (Estimated)	1941 (Estimated)
Inspection and grading of farm products under cooperative agreements .....	75,588	144,460	144,460

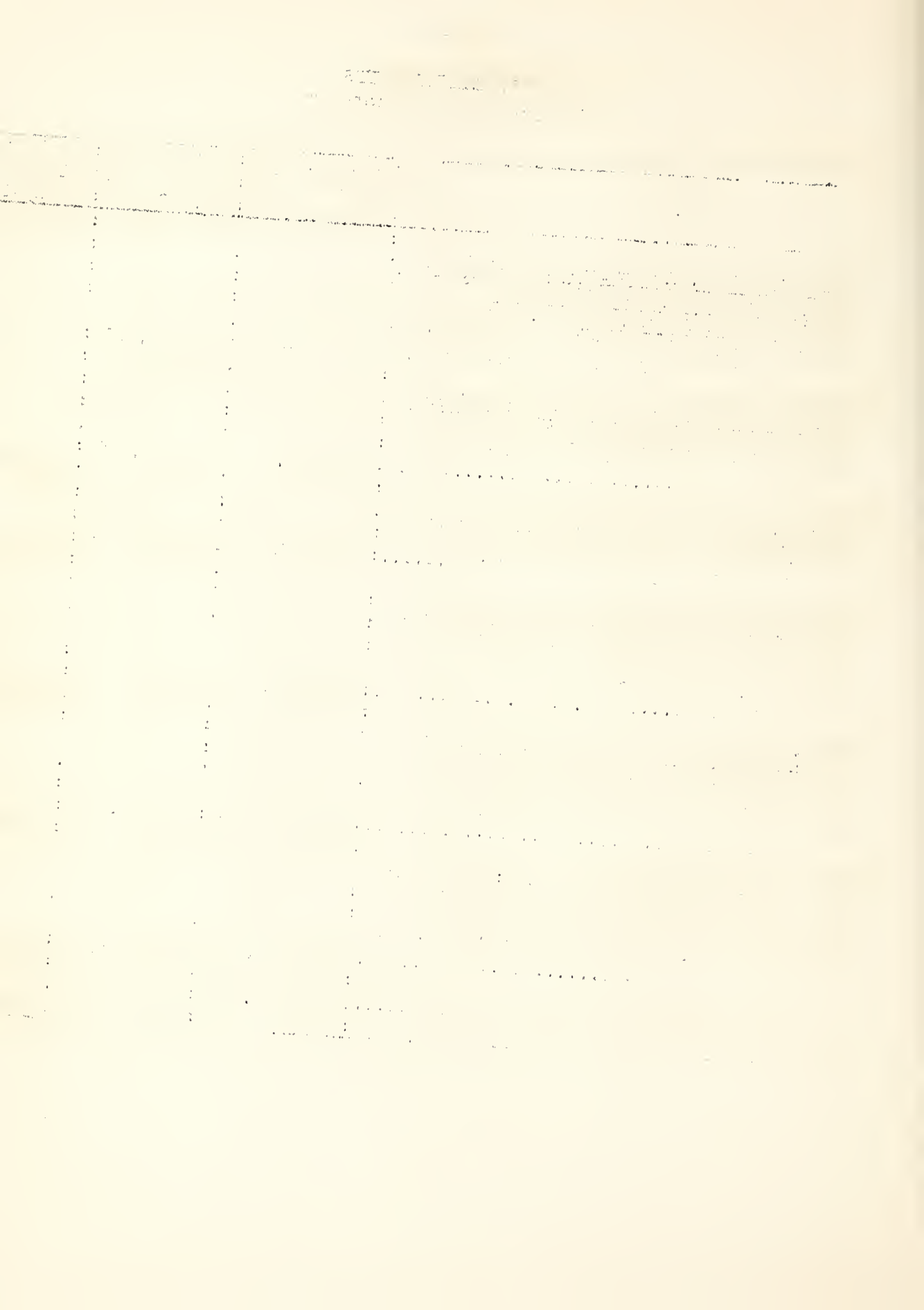
WORK UNDER THIS APPROPRIATION

Under authority of the Agricultural Appropriation Act, the Secretary of Agriculture provides an inspection and grading service for farm products upon the application of an interested party. This service is supported in part by the appropriation "Salaries and Expenses, Market Inspection of Farm Products", and in part by fees charged for the service. These fees are covered into the Treasury as a special trust fund and are appropriated and made available for the payment of refunds and expenses in connection with the work provided for under cooperative agreements.



SUPPLEMENTAL FUNDS  
(Complete bureau statement)

Projects	Obligated, 1939	Estimated obligations, 1940	Estimated obligations, 1941
<u>Working Fund, Agriculture, 1940 (trans-</u>			
<u>fer from Commerce, "Expenses of</u>			
<u>Sixteenth Census, 1940"): For statis-</u>			
<u>tical and other services in connection</u>			
<u>with the 1940 Census of Agriculture...</u>	---	\$35,000	---
<u>Incidental Expenses of the Army (trans-</u>			
<u>fer from War Department): Inspection</u>			
<u>of hay and supervision of Army hay</u>			
<u>inspectors .....</u>	\$2,192	2,250	\$2,250
<u>Special Research Fund, Department of</u>			
<u>Agriculture: Special researches on</u>			
<u>the marketing of farm products .....</u>	73,110	67,043	61,520
<u>Agricultural Adjustment Administration</u>			
<u>(Salaries and Expenses): For statis-</u>			
<u>tical and other services in connec-</u>			
<u>tion with agricultural adjustment</u>			
<u>programs .....</u>	120,604	120,000	120,000
<u>Conservation and Use of Agricultural</u>			
<u>Land Resources: For statistical and</u>			
<u>other services in connection with</u>			
<u>work under the Agricultural Adjust-</u>			
<u>ment Act .....</u>	198,854	220,000	220,000
<u>Federal Crop Insurance Act: Gathering</u>			
<u>and compiling production statistics.</u>			
<u>for use in connection with the admin-</u>			
<u>istration of the Federal Crop Insur-</u>			
<u>ance Act .....</u>	24,698	29,250	29,733
<u>Total, Supplemental Funds .....</u>	419,458	473,543	433,503





## PASSENGER-CARRYING VEHICLES

No increase is requested in the authorization for purchase of passenger-carrying vehicles for Agricultural Marketing Service, the amount requested for 1941 being \$40,100, the same as the authorization for the current year. The estimate contemplates the replacement of 81 worn-out cars at an average cost of approximately \$500 each when exchange allowances are taken into account.

The use of passenger-carrying cars is necessary to the efficient conduct of the field work of the Agricultural Marketing Service. Inspectors and graders must move quickly between markets, warehouses, and railroad yards. In most cases it is not possible to obtain the necessary transportation quickly enough to enable employees to conduct their work without much loss of time. In the case of the market news service speed is the essence of the service, and where several markets must be covered the work cannot be done without the use of a car.

Under the Warehouse Act it is necessary for examiners to travel between warehouses located in small places or on spur lines where public transportation is inadequate. It is customary for two men to work together in making inspections of warehouses. The use of a car thus saves travel expense as well as time.



BUREAU OF HOME ECONOMICS

## (a) GENERAL ADMINISTRATIVE EXPENSES

Appropriation Act, 1940.....	\$31,735
Budget Estimate, 1941.....	31,855
Increase.....	<u>120</u>

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase
General administration and business service.....	\$31,585	\$31,735	\$31,735	---
Additional for administrative promotions.....	---	---	120	+\$120 (1)
Unobligated balance.....	150	---	---	---
Total appropriation.....	31,735	31,735	31,855	+ 120

## INCREASE

(1) \$120 additional is estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget estimates for 1941.

## WORK UNDER THIS APPROPRIATION

The activities under this appropriation include the office of the Chief of Bureau and the general administrative activities of the Bureau, such as personnel, budget, purchasing, correspondence, files, etc.



## (b) HOME ECONOMICS INVESTIGATIONS

Appropriation Act, 1940.....	\$293,350
Budget Estimate, 1941.....	293,230
Decrease.....	<u>120</u>

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase or Decrease
1. Home economics information....	\$21,701	\$21,856	\$21,666	- \$190 (1)
2. Foods and nutrition investi- gations.....	78,089	78,650	77,955	- 695 (1)
3. Family economics investi- gations.....	74,040	74,563	73,833	- 730 (1)
4. Textiles and clothing investi- gations.....	73,773	94,295	93,870	- 425 (1)
5. Housing and household equip- ment investigations.....	23,812	23,986	23,986	---
Additional for administrative promotions.....	---	---	1,920	+ 1,920 (2)
Unobligated balance.....	1,935	---	---	---
Total appropriation.....	273,350	293,350	293,230	- 120

## INCREASES AND DECREASES

The net decrease of \$120 in this item consists of:

(1) Small reductions in each of the projects 1 to 5, aggregating \$2,040.

(2) \$1920 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget estimates for 1941.

## WORK UNDER THIS APPROPRIATION

General.--The Bureau of Home Economics has as its major concern increasing the well-being of the Nation's families. But that is not its only function; it has a five-way research program:

(1) It serves the 30,000,000 homes, helping them to solve the broad economic problems of family living and the more specific questions involved in the purchase and use of food, clothing, equipment and other goods and services.





(2) It serves those who produce both the raw materials and the finished products used in the home plant, that is, farmers and manufacturers, and also the merchants who sell the products.

(3) It serves the Department of Agriculture. Studies of the adequacy of diets of farm, village, and city families furnish guides to agricultural production and to improved national food consumption habits. Programs of land use are strengthened by studies of the use of home-produced food by farm families; bases for estimating family income "in kind", and for helping families with their home-farm management plans are also provided. Other research helps to measure the results of the agricultural program in terms of how farm families live.

(4) Through its research on income and the ways of spending of families in cities and villages as well as on farms, it provides many agencies with information basic for formulation of a wide range of public policies, such as those relating to taxation, public roads, education, old age security, housing.

(5) It works with the Extension Service and other educational agencies in raising levels of living of farm families through improvement of rural housing, better family food plans and spending programs.

1. Home Economics Information.--This project consists of the final preparation for publication of all bulletins and articles of technical or semitechnical nature distributed to scientific journals and other periodicals and of press releases, radio talks, charts, and exhibits. At the completion of each research project, and oftentimes at intervals during its progress, information is given out in one or more of these forms so that consumers, producers, trade organizations, scientific workers, teachers, extension agents -- every group of the public demanding results of home economics research -- may have full benefit of the studies conducted; for only when scientific facts are presented in forms adapted to use by the homemaker or other consumers does the public receive the greatest value of the research.

2. Foods and Nutrition Investigations.-- The object of these studies is to increase the well-being and efficiency of all persons. Facts needed by homemakers, dietitians, and nutrition workers are determined and assembled through studies of food values, the nutritive needs of the human body, and of methods of food preparation and preservation, including the effect of such methods on the nutritive value of foods. The work includes: (1) the summarization in practical and convenient form of data on the chemical composition of all classes of foods; (2) studies of the nutritional importance of specific food constituents, such as vitamins and minerals, and of the amount of such essential nutrients necessary for growth, maintenance, and well-being; (3) determination of changes in nutritive value of foods brought about by methods of production, marketing conditions, methods of preservation (such as storage, freezing, canning, etc.), and methods of preparation; (4) analysis of methods of food preparation with a view to originating, improving, and standardizing processes; (5) establishment of the relation between variety, quality, and



nutritive value of foods and their uses in food preservation; (6) evaluation of factors that enter into food quality; (7) investigations, in cooperation with producing groups, of the influence of variety, breeds, and other production factors on edible quality and nutritive value, as a basis for establishing quality standards for food products.

3. Family Economics Investigations.-- How American families live, their incomes, what they spend and save, and whether the actual levels of living they achieve are in accord with our American standards -- these are the fundamental problems of research in the Family Economics Division. Research now in progress includes: (a) Studies of income, expenditures for living, consumption habits, and savings of farm families in order to determine the kind of living agriculture makes possible, and the income levels at which families save for land purchase; (b) Studies of economy and adequacy of diets of the nation's families (farm, city, village) as an aid to agricultural production programs and to help families improve their dietary habits; (c) Studies of buying habits of families to determine quantities and kinds of agricultural and other products purchased, range of prices of articles bought at specific income levels, and use of credit; and (d) Preparation of publications to help homemakers budget their food money so as to obtain adequate and economical meals, and to help farm families with their plans for production of food for home use and for spending and saving money.

4. Textiles and Clothing Investigations.-- All studies under this item have as their purpose the more effective utilization by the ultimate consumer of the textiles produced in this country. They include (1) a study of the relative usefulness to consumers of various grades and kinds of new and re-worked wool as measured by the resistance of fabrics to deterioration caused by wear, cleaning, and the action of micro-organisms; (2) the development of methods for increasing the usefulness of wool materials to consumers through better methods of care and preservation in the home; (3) a comparison of wool fabrics with those made of wool substitutes as regards properties of importance to consumers; (4) investigations of the properties imparted to cotton fabrics by various mill and laundry finishes; (5) studies of the reaction to use of woven and knitted fabrics made of different varieties, grades, and staple lengths of cotton; (6) development of women's hosiery designs suitable for cotton construction with the object of increasing the utilization of cotton in this commodity; (7) preparation of consumer buying guides based on studies of textile materials on the retail market and the presentation of facts on informative labeling as an aid in consumer buying; and (8) development of clothing designs looking toward the formulation of suggestions to homemakers for the more effective use of cotton and wool.

5. Housing and Household Equipment Investigations.-- Equipment studies form the basis for the preparation of buying guides and bulletins to aid consumers in the intelligent selection, operation, and care of household equipment. Specifications for household equipment must provide for safe and durable construction, efficient and convenient operation, and the household equipment studies supply the data which can be used ultimately in the preparation of such specifications. Major emphasis is placed on performance in use tests as a means of aiding the manufacturer in developing and improving equipment to meet consumers' needs.



The Bureau's work on housing serves as a basis for setting up minimum and adequate requirements for room sizes, working and storage spaces for different income levels and for different regions of the country. An extended building program stimulated by both government and private funds has created an urgent need for information on farm housing.

## SUPPLEMENTAL FUNDS

Projects	Obligated, 1939	Estimated obligations, 1940	Estimated obligations, 1941
<u>Emergency Relief, Agriculture, Adminis-</u> <u>trative Expenses (transfer from W. P. A.</u> <u>(Home Economics):</u>			
Administrative expenses in connection with a cooperative study of measure- ments for ready-made garments and patterns.....	\$3,218	\$3,533	---
Administrative expenses in connection with a study of consumer purchases.....	1,210	---	---
Administrative expenses in connection with a study of family budgeting practices.....	---	2,595	---
Administrative expenses.....	105,572	---	---
Total.....	110,000	6,128	---
<u>Emergency Relief, Agriculture, Home</u> <u>Economics, Federal Non-Construction Pro-</u> <u>jects (Transfer from W. P. A.):</u>			
Cooperative study of measurements for ready-made garments and patterns.....	314,408	155,000	---
Study of consumer purchases.....	225,804	---	---
Study of family budgeting practices.....	---	108,346	---
Total.....	540,212	263,346	---
<u>Special Research Fund: Fundamental</u> <u>studies of dark adaptation of the human</u> <u>eye as a criterion for measurement of</u> <u>the Vitamin A requirements of human</u> <u>subjects.....</u>	10,000	---	---
<u>Special Research Fund: Vitamin A Storage</u> <u>and Reserves: An attempt to Define</u> <u>Optimal Vitamin A Intake.....</u>	---	10,000	10,000
<u>Liquidation and Management of Resettle-</u> <u>ment Projects: For the testing of tex-</u> <u>tile materials which are sold on Re-</u> <u>settlement Projects.....</u>	---	3,200	2,400
Total, Supplemental Funds.....	660,212	282,674	12,400





COMMODITY EXCHANGE ADMINISTRATION

## (a) ENFORCEMENT OF THE COMMODITY EXCHANGE ACT

Appropriation Act, 1940..... \$623,380  
 Budget Estimate, 1941..... 623,380

## PROJECT STATEMENT

Project	1939	1940 (Estimated)	1941 (Estimated)
Enforcement of the Commodity Exchange Act.....	\$631,499	\$623,380	\$623,380
Unobligated balance.....	3,501	---	---
Total appropriation..	635,000	623,380	623,380

## WORK UNDER THIS APPROPRIATION

The Commodity Exchange Act provides for the supervision of futures trading in grain, cotton, butter, eggs, potatoes, millfeeds, and wool tops. The purposes of this supervision are (1) to insure fair practice and honest dealing on the commodity exchanges; (2) to provide a measure of control over those forms of speculative activity which too often demoralize the markets to the injury of producers and consumers and the exchanges themselves; and (3) to restore the primary function of the exchanges which is to furnish a market for the commodities themselves.

To accomplish these results the Commodity Exchange Administration licenses commodity exchanges, registers futures commission merchants and floor brokers, and supervises all futures transactions in the controlled commodities. Limitations are placed (by the Commodity Exchange Commission) upon the daily trades and open positions of speculators in all commodities, which limitations may be modified from time to time as marketing conditions may require. As a means of insuring compliance with these limitations, as well as indicating manipulation, all traders having large open positions are required to report their transactions daily to the Commodity Exchange Administration.

The Administration is also required to investigate, modify, and improve delivery practices and procedures as well as to investigate and report upon trading practices in both cash and futures markets.

In order to insure fair practice and honest dealing on commodity exchanges, the Administration examines all books and records of brokerage houses and investigates all cases of apparent or alleged fraud or illegal practices. Any evidence of fictitious transactions, bucketing, wash sales,





cross trades, accommodation trades, deceit, issuance of false information, or other illegal practices is investigated and remedial action taken.

All money, securities, and other property deposited by customers with futures commission merchants to secure or margin trades are required to be segregated from the funds of the merchant and handled under rules and regulations issued by the Secretary of Agriculture.

This work is carried on by the Commodity Exchange Administration, which consists of a Washington organization of eight divisions and nine field offices located at Boston, Chicago, Houston, Kansas City, Minneapolis, New Orleans, New York, San Francisco, and Seattle.



FOOD AND DRUG ADMINISTRATION

## (a) GENERAL ADMINISTRATIVE EXPENSES

Appropriation Act, 1940 .....	\$100,802
Budget estimate, 1941 .....	<u>101,402</u>
Increase .....	<u>600</u>

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase
1. General administration and business service.....	\$100,754	\$100,802	\$100,802	---
2. Additional for administrative promotions.....	---	---	600	+ \$600 (1)
Unobligated balance.....	48	---	---	---
Total appropriation.....	100,802	100,802	101,402	+ 600

## INCREASE

(1) \$600 additional is estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget estimate for 1941.

## WORK UNDER THIS APPROPRIATION

This appropriation is used for general administrative expenses, such as general supervision, accounting, editorial work, purchases and distribution of supplies, recording, and the like, applicable to operations in connection with the acts enforced by the Food and Drug Administration, including the overhead administrative work involved in the enforcement of the acts and the general direction of the work of both the Washington and field staffs.



## (b) ENFORCEMENT OF THE FEDERAL FOOD, DRUG, AND COSMETIC ACT

Appropriation Act, 1940.....	\$2,288,380*
Allotment transferred in estimate for 1941 to "Salaries and Expenses, Office of the Solicitor" (for legal services), transferred in estimates for 1941.....	- 33,800
Total available, 1940.....	2,254,580
Budget estimate, 1941.....	2,503,980
Increase.....	<u>249,400</u>

\*Appropriation 1940 for Food and Drugs Act enforcement.

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase
(1) Enforcement of the Federal Food, Drug, and Cosmetic Act on:				
(a) Beverages, flavors and spices.....	\$81,696	\$85,664	\$85,664	
(b) Dairy products.....	149,241	187,000	187,000	
(c) Fishery products.....	184,448	192,730	192,730	
(d) Fruit, fresh.....	105,913	120,390	120,390	
(e) Fruit, processed.....	115,847	147,600	147,600	
(f) Vegetable products.....	108,541	188,030	188,030	
(g) All other food products...	217,314	215,000	215,000	
(h) Medicinal drugs.....	412,482	484,621	550,621	+66,000 (1)
(i) Vitamin preparations.....	86,135	87,345	115,345	+28,000 (2)
(j) Formulating standards.....	83,971	129,000	209,000	+80,000 (3)
(k) Infants and invalids' food	50,880	75,000	75,000	
(l) Permits, new drugs.....	38,200	103,000	103,000	
(m) Preparations affecting bodily structure and function.....	14,096	61,000	61,000	
(n) Devices, curative and diagnostic.....	17,992	61,000	61,000	
(o) Color certification.....	12,427	33,000	33,000	
(p) Cosmetics.....	73,117	84,200	150,200	+66,000 (4)
Total.....	1,752,300	2,254,580	2,494,580	+240,000
(q) Additional for administrative promotions.....	---	---	9,400	+9,400 (5)
Unobligated balance.....	3,907	---	---	---
Total appropriation.....	1,756,207	2,254,580	2,503,980	+249,400





## INCREASES

General Statement

The Food, Drug, and Cosmetic Act of June 25, 1938, will be in full effect before the beginning of the fiscal year 1941. The act has jurisdiction over many products not covered at all by the Food and Drugs Act of 1906 and greatly extends the powers of the Department for the control of food and drug products over those existing in the old law. In addition to the conventional procedure of criminal prosecution and seizure, it authorizes injunction proceedings and emergency permit control in certain cases, provides for the formal promulgation of regulations establishing definitions and standards for food products, special dietary products, and coal-tar colors, for the more effective protection of the public against dangerous drugs, and for many other purposes. Chief among the products subject to the new act, but not to the old, are cosmetics, drugs used in the diagnosis of disease or intended to affect the structure or any function of the body, therapeutic and diagnostic devices, and containers for foods, drugs, and cosmetics which may render the contents injurious to health or which are deceptive. The cosmetic industry alone involves a vast number of products with an annual output approaching one-half billion dollars. Extensive regulatory operations will be required to insure their compliance with the new law. Cosmetics as well as devices are a new field which will require the development of methods of analysis as well as the investigation and examination of a very large number of products.

The authority for the formulation of definitions and standards of identity and reasonable standards of quality and fill of container for food products will require extensive research, inspection, analytical and administrative work in the collection and consideration of the essential data.

The volume of work that must be done by the Department in the enforcement of the new act, covering as it does a far wider field than has heretofore been subject to the jurisdiction of the law of 1906, will entail far greater expenditures if the work is to be done even as effectively as under the old statute. At least \$5,000,000 will be required eventually for the enforcement of the new act if the Department is to properly discharge its obligation to protect the public health and safeguard the consumer against cheats. The estimate for the year 1941 is limited to \$2,503,980, or an increase of \$249,400, which consists of \$3,400 for administrative promotions and \$240,000 more than in the year 1940 for regulatory work.

The increase of \$249,400 in this item for 1941, consists of:

(1) An increase of \$66,000 for work on medicinal drugs.--In this category is included all regulatory work applied to drug products, whether they be pharmaceuticals, proprietary preparations, or crude drugs from which the finished medicines are manufactured. Pharmaceuticals include not only those recognized and defined in the official compendia--the United States Pharmacopoeia and National Formulary--but also those pharmaceuticals put out in conformity with the manufacturer's own standards of quality. Animal remedies as well as those for human use are included. Approximately \$484,000 is allotted to this project for the current fiscal year.



The public-health importance of the most careful and extensive scrutiny of drug products to guarantee their purity, compliance with established standards, and honesty of label claims is self-evident. While many manufacturers of drug preparations have well equipped laboratories and usually maintain control of their output in an unexceptionable fashion, some concerns are lax in their control methods and can only be depended upon to maintain reasonable supervision of the composition and labeling of their output if they are aware that violations of the statute will be promptly discovered and vigorously prosecuted. To guarantee such a condition it is essential that very widespread sampling and analysis of drug products from every manufacturer be continued annually. Its public-health importance does not permit it to be discontinued after a survey has demonstrated that a particular type of drug complies with the act. There is always a possibility that even the more reliable firms may become lax in their laboratory control and engage in the manufacture of entirely unsatisfactory products only a short time after a survey of their output has indicated full compliance with the statute. The increase of \$66,000 will go at least part way towards establishing that more comprehensive control of drug products that the public welfare demands.

(2) An increase of \$28,000 for inspection work on vitamin preparations.--The discovery during the past few decades of the nutritional and public-health importance of the various vitamins has opened up a fertile field for the exploitation of the consumer. The public has undoubtedly acquired an exaggerated idea about the vitamin deficiencies of the ordinary diet and as a result has become a rather ready prey to products carrying false and misleading label claims for value as vitamin-bearing products. Vitamin preparations are found both in the strictly drug field and in the food field. There is a class of products containing vitamins lying roughly halfway between the food and drug fields. The Food, Drug, and Cosmetic Act authorizes the Secretary of Agriculture to establish regulations for the control of these special dietary products. Not only is there a very large group of vitamin preparations in the proprietary class requiring far more extended attention than has heretofore been given, but there is also a large traffic in standard and recognized vitamin-bearing products like cod liver oil, for which there is an enormous and legitimate demand for infant feeding as well as for poultry and stock feeding purposes. Practically all cod liver oil is imported. The demand is constantly growing and the temptation to use cheaper and less valuable oils from the vitamin standpoint is constant. Continuous and extensive sampling of importations as well as domestic shipments of cod liver oil and of other vitamin preparations should be a routine activity in the Food and Drug Administration. Since vitamin assays are laborious, time-consuming and expensive, the amount that has heretofore been assigned for this purpose, namely \$87,000, has been entirely inadequate for this purpose. With an increase of \$28,000 a far more effective control in the interest of public health and nutrition will be possible.

(3) An increase of \$80,000 for the project "Formulating standards".--For the formulation of definitions and standards for foods, only \$129,000 was allocated for the year 1940. The increase of \$80,000 included in this estimate is urgently needed. The new Food, Drug, and Cosmetic Act authorizes the Secretary of Agriculture to formulate regulations fixing and establishing for any food, under its common or usual name, a reasonable definition and standard of identity, a reasonable standard of quality, and/or reasonable





standards of fill of container. The act provides a carefully defined procedure for the establishment of standards which will guarantee the legal interests of all concerned, that is, the consuming public, the manufacturer, and the Government. Compliance with these requirements calls for much detailed work on the part of the Food and Drug Administration. It is necessary for the field force to collect innumerable samples of authentic natural and manufactured food products produced under known conditions in different parts of the country and under different climatic conditions, to subject these to careful chemical analysis, and to submit the results for study and comparison by administrative officers whose duty is to formulate tentative definitions and standards which can be made the subject of public hearings. It is not too much to say that the standard-making procedure of the new law is the starting point of successful application of the legal provisions designed to control the purity of the food supply. The establishment of adulteration in food products will be difficult, if not impossible, without the prior establishment of standards, except in those cases where the food contains actually poisonous ingredients or is filthy or decomposed. In other words, the food standards are the cornerstone of successful enforcement of the law as applied to adulterations and misbrandings of food of the most common type, that is, violations which are in the nature of economic cheats. A material increase must be provided for standard-making operations if the protective features of the act are to be effectively applied in proceeding against adulterated and misbranded food products.

(4) An increase of \$66,000 for enforcement work on cosmetics.--The definition of cosmetics is so broad as to include every type of article intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body or any part thereof for cleansing, beautifying, promoting attractiveness, or altering the appearance. Soap alone is excluded under the definition. While estimates vary as to the extent of traffic in cosmetics subject to the act, it is believed that \$500,000,000 is a conservative estimate of the annual traffic in such articles in the United States. A beginning has already been made by attacking such notoriously dangerous cosmetics as sight-destroying eyelash dyes, bleaching creams containing highly potent chemicals dangerous to the skin, and lipsticks containing poisonous coloring ingredients. There are a great many types of products, including hair dyes, depilatories, bleaches and eyelash dyes, which contain ingredients perhaps not so instantly and acutely toxic as in the case of those already proceeded against but definitely subject to suspicion as potentially dangerous. A very intensive study of many of these articles entailing expensive laboratory investigations will be necessary before a determination can be reached as to whether legal action is necessary or possible. Almost the entire field of cosmetics remains to be explored, not only for the purpose of removing actually or possibly dangerous products from the market, but also to regulate dishonest and deceptive products which are undoubtedly prevalent. Among such articles are cosmetics bearing false and extravagant claims as to the quality and identity of their ingredients and as to the properties which they possess in the way of cosmetic effects, slack-filled and deceptive containers, cosmetics packed in containers which may be so constructed as to result in contaminating the cosmetic with an injurious ingredient, and short-weight or short-measure products. In short, attention must be given to the entire field for the purpose of apprehending dangerous products as well as those which represent frauds upon the consumer.





(5) \$9400 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget estimate for 1941.

#### CHANGE IN LANGUAGE

The words "as amended (21 U.S.C. 301-392)" have been inserted in view of the amendment to the Federal Food, Drug, and Cosmetic Act by the Act of June 23, 1939.

#### WORK UNDER THIS APPROPRIATION

The enforcement of the Federal Food, Drug, and Cosmetic Act requires supervision of the enormous volume of foods, drugs, devices, and cosmetics shipped under the jurisdiction of the Act and involves the formulation of standards for a great variety of food products, the promulgation of formal regulations having the force and effect of legal requirements, the determination of what ingredients and adulterants in foods, drugs, and cosmetics may be harmful to health, the issuance of decisions applying the law and regulations to particular products, the inspection of factories, the microanalytical, bacteriological, pharmacological, and physical examination of shipments of foods, drugs, and cosmetics, and the preparation and presentation of evidence in court on violations of the Act. It also includes the examination of foods, drugs, and cosmetics offered for entry into this country and the exclusion of those products that fail to comply with the provisions of the Act.

It is necessary for the effective enforcement of the Act to carry on research work to develop new methods of analysis to detect adulteration in food, drugs, dyes, and cosmetics; to determine the potency or the lack of potency of products subject to the Act; and to ascertain the normal composition of various food products, when the necessary information is not otherwise available.

The Food and Drug Administration is charged with the responsibility of collecting and presenting in court all evidence necessary to sustain the charges involved in seizure actions and in prosecution cases. The expense involved in employing expert witnesses to testify in court cases is also paid from this appropriation.

The volume of work under the Act of 1938 is greatly increased over that under the Act of 1906. In addition to the work formerly required, the new Act involves among other things formulating standards for foods, supervising the informative labeling of infants' and invalids' foods, issuing permits for new drugs, controlling preparations affecting bodily structure and function, controlling curative and diagnostic devices, and regulating trade in cosmetics.



## (c) ENFORCEMENT OF THE TEA IMPORTATION ACT

Appropriation Act, 1940 .....	\$30,094
Budget Estimate, 1941 .....	<u>30,214</u>
Increase .....	<u>120</u>

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase
1. Enforcement of the Tea Importation Act.....	\$39,129	\$30,094	\$30,094	
2. Additional for administrative promotions.....	---	---	120	+\$120 (1)
Unobligated balance.....	965	---	---	---
Total appropriation.....	40,094	30,094	30,214	+120

## INCREASE

(1) \$120 additional is estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget estimate for 1941.

## WORK UNDER THIS APPROPRIATION

This appropriation provides for the enforcement of the Tea Importation Act, approved March 2, 1897 (21 U.S.C. 41-50). Every consignment of tea imported into the United States is inspected both as to purity and quality. A board of tea experts determines a suitable standard for tea each year, and no tea for beverage purposes is permitted entry into the United States that falls below that standard. Before the enactment of the Tea Importation Act much low-grade tea that was unfit for use was sent to the United States.



## (d) NAVAL STORES ACT

Appropriation Act, 1940.....	\$34,700
Budget Estimate, 1941.....	<u>34,800</u>
Increase.....	<u>100</u>

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase
1. Enforcement operations under the Naval Stores Act.....	\$22,665	\$24,185	\$24,185	---
2. Service operations under the Naval Stores Act.....	9,714	10,515	10,515	---
3. Additional for administrative promotions.....	---	---	100	+\$100 (1)
Unobligated balance.....	2,321	---	---	---
Total appropriation.....	34,700	34,700	34,800	+ 100

## INCREASE

(1) \$100 additional is estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget estimate for 1941.

## WORK UNDER THIS APPROPRIATION

General.--This item provides for the enforcement of the Naval Stores Act, approved March 3, 1923 (7 U.S.C. 91-99), which provides for a grading service and for preventing adulteration and misbranding.

1. Enforcement operations under the Naval Stores Act.--The Secretary is authorized to purchase from time to time samples of spirits of turpentine and of anything offered for sale as such for the purpose of



analysis, classification, or grading and of detecting any violation of the Act. Naval stores offered for import or export, as well as naval stores that enter interstate commerce, are subject to all the provisions of the Act.

2. Service operations under the Naval Stores Act.--The Department examines, if practicable, upon request of any interested person, any naval stores and analyses, classifies, or grades the same on tender of the cost thereof as required by the Secretary of Agriculture under such regulations as he may prescribe. Certificates are furnished showing the analysis, classification, or grade of such naval stores, which certificates shall be prima facie evidence of the analysis, classification, or grade of such naval stores and of the contents of any package from which the same may have been taken, as well as of the correctness of such analysis, classification, or grade, and shall be admissible as such in any court. Fees received for this service average nearly \$10,000 a year, which are deposited to the credit of "miscellaneous receipts". The project is therefore practically self-supporting.





## (e) ENFORCEMENT OF THE INSECTICIDE ACT

Appropriation Act, 1940 .....	\$193,180
Budget Estimate, 1941 .....	<u>194,020</u>
Increase .....	<u>840</u>

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase
1. Enforcement operations under the Insecticide Act.....	\$178,534	\$167,780	\$167,780	- - -
2. Investigation of methods of test- ing and efficacy of insecti- cides & fungicides.....	26,750	25,400	25,400	- - -
3. Additional for administrative promotions.....	- - -	- - -	840	+ \$840 (1)
Unobligated balance.....	2,896	- - -	- - -	
Total appropriation.....	208,180	193,180	194,020	+ 840

## INCREASE

(1) \$840 additional is estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget estimate for 1941.

## WORK UNDER THIS APPROPRIATION

General.--This appropriation provides for the enforcement of the Insecticide Act approved April 26, 1910 (7 U.S.C. 121-134). The Insecticide Act makes illegal the manufacture, sale, or transportation in interstate commerce of adulterated or misbranded insecticides and fungicides, as well as their importation and exportation. It prescribes definite standards to which all lead arsenates and Paris greens subject to its provisions should conform. It provides that all insecticides and fungicides, other than lead arsenates and Paris greens, that contain inert ingredients shall bear, upon the face of the principal label of every package, a statement giving the name and quantity of each inert ingredient of the preparation, with a statement that such ingredient is inert, or, instead, a statement giving the name and quantity of each active ingredient, with the percentage of the combined inert ingredients. The principal labels for insecticides, other than lead arsenate and Paris green, and for fungicides that contain arsenic or compounds of arsenic, must show the percentage of arsenic present. Any false or exaggerated claim as to the efficacy of an insecticide or fungicide constitutes a violation of the law. The act requires further that all insecticides and fungicides must be up to the standards under which they are sold and that no insecticide or fungicide shall contain any substance or substances that will injure the plant on which it may be used.



1. Enforcement operations under the Insecticide Act.--The work under this project consists of the collection of samples of insecticides and fungicides, including disinfectants; making chemical analyses; performing actual field tests where necessary; bacteriological tests; and the preparation of the evidence developed for presentation to the courts on such samples of insecticides and fungicides shipped in violation of this Act.

2. Investigation of methods of testing and efficacy of insecticides and fungicides.--This work consists of the investigation and development of methods for the chemical analysis of insecticides and fungicides, for the bacteriological testing of disinfectants, for the field testing of insecticides and fungicides; also the testing of ingredients or proprietary preparations to determine their efficacy as insecticides and fungicides.

(f) ENFORCEMENT OF THE MILK IMPORTATION ACT

Appropriation Act, 1940 ..... \$19,241  
 Budget Estimate, 1941 ..... 19,241

PROJECT STATEMENT

Project	1939	1940 (Estimated)	1941 (Estimated)
Enforcement of the Milk Importation Act.....	\$18,087	\$19,241	\$19,241
Unobligated balance.....	1,154	- - -	- - -
Total appropriation.....	19,241	19,241	19,241

WORK UNDER THIS APPROPRIATION

This appropriation provides for the enforcement of the Milk Importation Act approved February 15, 1927 (21 U.S.C. 141-149). The Act requires inspection both at the source and at the ports of entry. The work of enforcing the Act, therefore, involves the supervision of the sanitary inspection of Canadian shipping plants and dairies from which milk is shipped to the United States and supervision of the physical examination and, in most instances, tuberculin testing once a year of cattle from herds producing milk shipped to the United States, this work being carried out in collaboration with Canadian officials as authorized by the Act. The work also involves the bacteriological examination and temperature tests of sufficient representative samples of all imported milk and cream to insure compliance with the Act at ports of entry. Milk may be brought into the United States at any port along the Canadian border, but the bulk of the milk and cream imported from Canada comes in through New York and New England ports of entry.



## (g) ENFORCEMENT OF THE CAUSTIC POISON ACT

Appropriation Act, 1940 ..... \$24,741  
 Budget Estimate, 1941 ..... 24,741

## PROJECT STATEMENT

Project	1939	1940 (Estimated)	1941 (Estimated)
Enforcement of the Caustic Poison Act.....	\$23,238	\$24,741	\$24,741
Unobligated balance.....	1,503	---	---
Total appropriation.....	24,741	24,741	24,741

## WORK UNDER THIS APPROPRIATION

Under this item is conducted the work of enforcing the Caustic Poison Act, approved March 4, 1927 (15 U.S.C. 401-411). This Act imposes upon the Department the obligation of seeing that the large number of preparations containing caustic or corrosive substances and sold in interstate or foreign commerce for household use are correctly labeled with the common name of the substance, with the word "Poison", with directions for treatment in case of accidental personal injury, and with the name and place of business of the manufacturer, packer, seller, or distributor. To enforce the Act samples must be collected from the products, their composition determined by chemical analysis, and such tests made as will establish whether any or all of the ingredients are caustic or corrosive and whether the directions given in case of injury are correct and adequate. Corrective action is taken to check commerce in products that violate the provisions of the Act.

## (h) ENFORCEMENT OF THE FILLED MILK ACT

Appropriation Act, 1940 ... \$10,000  
 Budget Estimate, 1941 ..... 10,000

## PROJECT STATEMENT

Project	1939	1940 (Estimated)	1941 (Estimated)
Enforcement of the Filled Milk Act...	\$8,542	\$10,000	\$10,000
Unobligated balance.....	1,458	---	---
Total appropriation.....	10,000	10,000	10,000





## WORK UNDER THIS APPROPRIATION

This appropriation provides for the enforcement of the Filled Milk Act, approved March 4, 1923 (21 U.S.C. 61-63), as amended by the Act of August 27, 1935 (21 U.S.C. 64). The Act prohibits the shipment in interstate or foreign commerce of so-called filled milk, which is made by the removing of butterfat and the substitution of other fats. Enforcement work requires the collection and analysis of samples of milk and milk products suspected of containing foreign fats and the taking of appropriate action to check commerce in products that are in violation of the Act.

## (i) ENFORCEMENT OF THE SEA FOOD INSPECTORS ACT

Appropriation Act, 1940 .....	\$40,000
Budget Estimate, 1941 .....	<u>41,260</u>
Increase .....	<u>1,260</u>

## PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase
1. Enforcement of the Sea Food Inspectors Act.....	\$89,117	\$93,500	\$93,500	---
2. Additional for administrative promotions .....	---	---	1,260	+\$1,260(1)
Less receipts from fees.....	-49,117	-53,500	-53,500	---
Total appropriation .....	40,000	40,000	41,260	+ 1,260

## INCREASE

(1) \$1,260 additional is estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget estimate for 1941.

## WORK UNDER THIS APPROPRIATION

This item covers the inspection of the packing of sea foods upon the application of the packers. The service includes inspection of raw materials, the various processes of packing, the sanitary conditions involved, and the finished product. The appropriation provided annually by the Agricultural Appropriation Act provides for the payment of salaries of sea-food inspectors for approximately five months. Additional salaries for inspectors, administration, and miscellaneous expenses incurred in providing this service are paid from funds contributed by the packers receiving the service.



## PASSENGER-CARRYING VEHICLES

The authorization for the purchase of passenger-carrying vehicles contemplates an increase of \$1,150 (\$27,375 in 1940, \$28,525 estimated for 1941). The \$28,525 will permit the needed replacement of 55 vehicles and the purchase of 6 additional vehicles. These 6 additional cars will be required for new staff members incident to the increased work under the new Federal Food, Drug, and Cosmetic Act of June 25, 1938, recommended in the estimate for the fiscal year 1941.

The use of automobiles for the purpose of carrying on inspection work under the seven acts enforced by the Food and Drug Administration is essential. Factories, dairies, orchards, canneries, warehouses, retail establishments, and other places where foods, drugs, cosmetics, insecticides, and naval stores are manufactured, produced, or distributed must be visited and inspected. Shipments of these commodities by freight, express, and trucks must be kept under surveillance and samples collected and delivered for shipment to the laboratories of the Food and Drug Administration for analysis and examination. This can be done most economically and efficiently by the use of automobiles.

The purchase and operation of Government-owned cars has been found from experience to be more economical for inspection work than either the hiring of commercial automobiles or the use of privately-owned cars of employees on a mileage basis. Records kept over a series of years indicate that the average cost per mile of a Government-owned car, taking into consideration deterioration in the value of the car and all operating and maintenance expenses up to the time it is turned in and is no longer serviceable, and then deducting exchange allowance, is approximately 3-1/2 cents per mile. These machines have been operated under practically all conditions from city streets to unimproved dirt roads. It is estimated that the average mileage for the cars that will be turned in will be 49,000 miles, based on the known mileage of these cars as of June 30, 1939.





